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NEWS SUMMARY

GENERAL

Arrests follow Turkish rallies

Turkish armed forces arrested more than 1,500 people in Istanbul and Ankara and tried on demonstrators attempting to stage May Day rallies in defiance of martial law.

Troops join Moscow parade

The military made its first appearance for 11 years in Moscow's May Day parade.

Print union sued

West Germany's powerful printing union is being sued by the Turkish-owned printing concern contracted to publish the international weekly edition of The Times.

Apartheid move

Legal enforcement of apartheid on the shopfloor should be scrapped, and black trade unions granted statutory recognition, a South African Government commission proposes.

Double killer hunt

The youth found shot in a shallow hillside grave in Derbyshire was identified as Peter Thompson, aged 18, boyfriend of Lorraine Underwood, aged 15, found on Sunday battered to death nearby.

Furnace explodes

Four steelworkers were in hospital, one critically ill, after being showered with molten metal when a furnace exploded at the Firth Vickers works in Brightside, Sheffield.

Uganda massacre

Defeated troops of fugitive Ugandan dictator Idi Amin killed 3,000 people in two weeks in and around the small town of Tororo before retreating in disarray, survivors said.

Philippine deaths

Twelve people have died and 22 have been kidnapped in the Southern Philippines where regional government elections will be held on Monday.

Gandhi arrest

Sasraj Gandhi, son of former Indian Premier Indira Gandhi, was arrested with nearly 400 supporters when street battles erupted at an anti-Government rally.

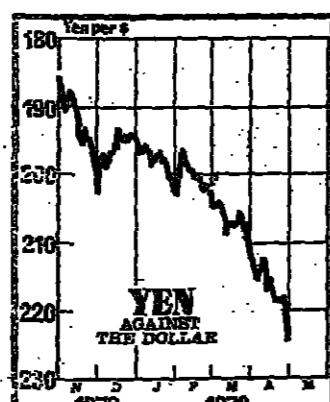
Briefly

China has recognised the new Uganda Government led by President Yusuf Lule. Lance Corporal John Berry, aged 20, of South Shields, is to receive the Victoria Medal for disarming a gunman who shot two soldiers in a German car. Indonesia's second volcano disaster this year killed at least 80 people in West Sumatra. Mrs. Justice Rose Helburn, aged 64, became the first woman judge to sit in the Court of Criminal Appeal. Three men carrying clubs stole £60,000 worth of industrial diamonds and £3,000 in cash from a man they attacked in a Dublin hotel bedroom.

BUSINESS

Dollar up sharply against yen

JAPANESE yen was weak on the foreign exchange markets reflecting both the improvement in the latest U.S. trade figures and Japan's trade deficit in the first 20 days of April.



The dollar rose to its highest for nearly a year against the yen to ¥224.20 (¥221.90). The pound fell 85 points to \$2.0605 and its trade-weighted index fell to 66.3 (67.1). The dollar's rise to 86.5 (86.3).

EQUITIES reacted to election prospects and the FT ordinary index fell 14.3 to 337.0.

GLTS eased and the Government Securities Index fell 0.26 to 75.95.

GOLD closed unchanged in London at \$246.

WALL STREET was 2.00 up at \$56.90 just before the close.

LEONDS ruling committee is not to give the Sasse underwriting syndicate an open-ended line of credit to help it meet £19.5m of losses.

HOLLAND faces severe distortions in its domestic economy amid signs of a deterioration in the international economic climate.

P & O, whose 1978 results are due today, has put up for sale another of its largest ships, the 218,000 deadweight ton tanker Ardar, which is expected to raise about £5m.

CANADA and Romania have concluded an agreement for a \$1bn loan to buy four Canadian nuclear reactors, part of Romania's plan for 16 to be built in the next 20 years.

GRUNDY of Teddington is to take its fight against the NES to the House of Lords in an effort to prevent a joint venture with a U.S. company, Control Data Corporation, for the manufacture of computer peripherals.

STEEL producers and British Rail will meet today to arrange a £45m programme for new rail freight wagons to transport scrap iron and steel.

BNOC has discovered additional oil reserves close to a 200m-300m barrel find made last year in the central North Sea.

POWER WORKERS have voted against the latest pay offer of 9 per cent plus, according to unofficial polls of power stations.

SPEAR AND JACKSON pre-tax profits rose 34 per cent to a record £1.83m against £1.365m after a second half recovery.

DAVIS AND NEWMAN HOLDINGS reports record profits in 1978 of £2.01m against £0.8m.

SMITH & NEPHEW pre-tax profits for the 12 weeks to March 24 rose 11.5 per cent from £4.49m to £5.01m.

BORCHERT, parent of the West German chemical group, reports a 22.9 per cent rise in first-quarter pre-tax profit to DM 193m.

CHIEF PRICE CHANGES YESTERDAY

Table with columns for item name, price change, and percentage change. Includes items like Davies and Newman, Haden Carriers, Nurdin and Peacock, etc.

Crude oil shortage forces Texaco to ration petrol

BY SUE CAMERON AND KEVIN DONE

Reduced crude oil supplies and a shortage of oil products in the European market have forced Texaco, a major UK oil supplier, to start rationing petrol supplies to all customers.

A shortage of fuel oil has also begun to hit industry, and some chemicals manufacturers are finding it impossible to maintain normal production.

Texaco, which holds about 9 per cent of the retail petrol market with 2,150 garages, began allocating deliveries yesterday. It is restricting supplies to 92 per cent of the level of deliveries it was making last summer in the four months from May to August.

The company has been rationing deliveries of middle distillates, which include products such as gas, heating, and diesel oil, and jet fuel since February. From yesterday it began to apply a stricter allocation, amounting to 80 per cent rather than 85 per cent of last year's level.

The UK Chemicals Industry Association said yesterday that there was a "much more difficult oil situation than the Government is prepared to own up to."

Some chemical companies had had their fuel oil supplies cut by as much as 50 per cent. As a result a number of concerns were "unable to curtail production," while others experienced difficulty in maintaining their output.

The association said the shortage of oil product supplies would be a "problem" lasting for "several years" even if Iranian crude production returned to something approaching pre-revolutionary levels.

Texaco has to buy in about 50 per cent of its petrol supplies, either from other UK oil companies or through imports from the Continent.

It is building a £300m cracking unit at its South Wales refinery in a joint venture with Gulf Oil, which will ultimately make it self-sufficient in most oil products in the UK but this plant will not be in production until the end of 1980.

The cracker will allow Texaco to upgrade fuel oil into lighter products such as petrol or diesel oil.

Most other large UK oil companies are rationing oil-product supplies. At best deliveries are at last year's level.

Some companies, such as Esso and Shell, restrict deliveries to the level of sales last year and refuse new business. Others, such as Total and Burmah, have made cuts similar to those imposed yesterday by Texaco.

Nearly 30 chemical sites have been hit by cuts in fuel oil deliveries. The association said it would put pressure on the new Government to do more to safeguard oil-product supplies for industry.

It added that Governments tended to put more emphasis on maintaining petrol and heating oil supplies for motorists and householders than on ensuring that industry had adequate amounts of fuel oil.

The association had started receiving complaints about fuel-oil shortages from some of its 300 members five weeks ago. A number had gone to the Department of Energy's emergency desk on supplies, but found that all the Department could do was to ask distributors to send an extra load of fuel oil to the company in difficulties.

The association said the problem of oil-product shortages had to be tackled in a more thoroughgoing way.

The Department said that it had had more complaints about shortages of diesel than about cuts in fuel oil deliveries. Most requests for help came from domestic users and from owners of commercial vehicles, rather than from large companies. It admitted that its emergency supplies desk had been busy.

Playboy, Coral and GLC oppose Ladbroke licences

BY JAMES BARTHOLOMEW

THE PLAYBOY CLUB, the British subsidiary of the U.S. public company Playboy Enterprises, Coral Leisure Group and the Greater London Council have joined with the police Club squad in objecting to the renewal of certain London casino licences held by Ladbroke Group.

Ladbroke is the biggest casino operator in the UK. The casino division is thought to have contributed about half of Ladbroke's record 1978 profits of £41m. Most of the casino profits came from the four London clubs. Loss of the licences could slash Ladbroke's profits.

At South Westminster licensing magistrates yesterday, Mr. Anthony Scott-Tucker, on behalf of Ladbroke, applied for an adjournment of the group's application for licence renewals for the Park Lane Casino Club, 24 Hertford Street, Ladbroke Club, 21 Hill Street, Hertford

Club, 21 Hertford Street, and Hertford Club (to be renamed Ladbroke's Hyde Park Casino and not currently in operation), 30 Curzon Street.

Application for the licence renewal of the fourth operating casino, the Park Tower, is down for May 15 at West London licensing magistrates.

Mr. Scott-Tucker said that the other parties opposing the licence renewals were "not worthy of comment."

Later in the hearings, Coral and Playboy themselves came up against firm rulings on their applications. The magistrate refused to allow Coral's Curzon House Club to use more rooms for casino gaming. They also refused to allow the Playboy to open a private room for heavy gamblers, despite Playboy's stated intention not to increase the number of gaming tables.

GKN plans to close factories

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

GKN's reorganisation programme, which started 13 months ago, will have reduced the size of the company's business in the UK by between 12 and 15 per cent by early next year.

The company has embarked on a programme of divesting itself of companies and activities which it regards as inconsistent with its direction. This will result in companies being sold off over the next year, and in some cases closure of factories seems inevitable.

Mr. Trevor Holdsworth, deputy chairman and managing director, declined to say this week what this would mean in terms of jobs. The group now employs

nearly 69,000 in the UK, about 4,000 fewer than last year.

In its message to employees accompanying the annual report, the company warns that jobs disappear when products become outmoded.

The two main areas which have been identified as those on which GKN intends to concentrate are motor components and distribution. The latter includes steel stockholding, automotive accessories, and industrial fasteners (the traditional nuts and bolts). The group has already rationalised its manufacture of industrial fasteners, and this is one sector that may well suffer further cutbacks.

GKN has been acquiring com-

panies to strengthen those existing businesses on which to concentrate. Last year it bought the Stern Omnast distribution group. Overseas expansion is an important part of the group's reorganisation. The present split between UK and overseas business is 70/30 and within five years, it plans for a 50/50 ratio.

Another major U.S. expansion concerns GKN's automotive components factory under construction at Sanford, North Carolina.

In 1978, GKN made a profit before tax of £37.3m (1977: £72.3m) on turnover of £1.75bn (1977: £1.64bn).

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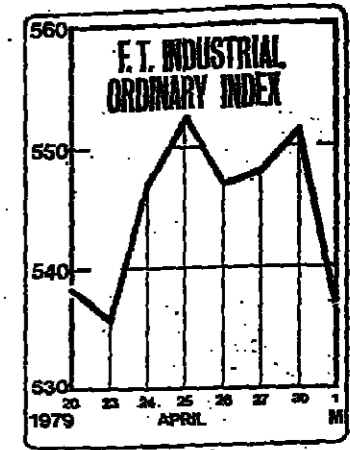
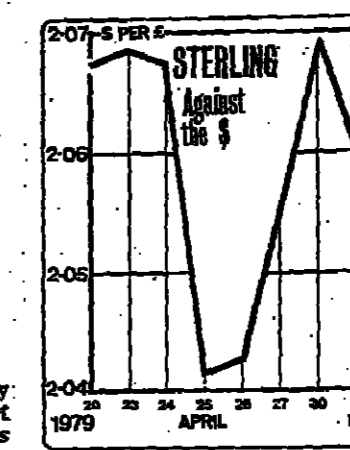
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ELECTION UNCERTAINTY UNSETTLES MARKETS

Equities and £ fall

By Peter Riddell, Economic Correspondent



SHARE PRICES fell sharply yesterday as the stock market became increasingly nervous about the outcome of tomorrow's General Election.

Sterling also slipped back slightly after its big recovery on Monday.

Market movements were dominated by the appearance of opinion polls or rumours about their findings.

Brokers and jobbers reported that selling was relatively small and the declines mainly represented marking-down of prices by jobbers.

Publication of a poll showing a Labour lead for the first time in the campaign led to an immediate 10.2 drop in the FT 30-share Industrial Ordinary Index.

There was a half-hearted rally in the late morning but prices dropped further in the

afternoon and the FT 30-share index closed 14.3 down at 337.0. This is the largest drop in a day since September, 1977.

The late decline in share prices followed speculation that another opinion poll appearing today could confirm the Labour lead. Yet no major poll was expected to appear in this morning's papers.

Gilt-edged prices showed smaller declines. Little selling was reported and falls in the prices of longer-dated issues were restricted to around 1/2 of a point.

Sterling again continued to be influenced by the election prospects. After rising by 0.5 points on Monday, the

trade-weighted index, measuring sterling's value against a basket of other currencies, dropped 0.2 to 66.9 last night.

The pound touched a low point against the dollar of \$2.0575 before closing 85 points down at \$2.0605.

The U.S. dollar had a mixed day following the rise in U.S. interest rates. The currency strengthened against the pound and the Japanese Yen, which was very weak in response to Japan's trade deficit in the first three weeks of April.

The dollar rose to ¥224.20, its highest level for nearly a year, against ¥221.90 previously.

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Tory leaders surge into final assault

BY PHILIP RAWSTORNE

CONSERVATIVE LEADERS last night surged into the attack on the eve of the final day in the election campaign.

Mrs. Margaret Thatcher, in the most belligerent speech of her election tour, lambasted the Labour Government's record and warned that its policies would lead to disaster.

"Why should we believe that their so-called special relationship with the unions has any meaning after last winter?" she demanded.

"Never forget how near this nation came to government by picket; never forget how workers had to beg for the right to work."

Extremists were taking over the Labour Party, Mrs. Thatcher claimed at a rally in Bolton.

Labour and the "socialist politicians of the TUC" had already agreed that a future Labour Government would interfere in the use of pension and insurance funds, she said.

Sir Keith Joseph, Tory industry spokesman, said in Leeds that Britain was in danger of plunging into absolute economic decline.

Unless there were a radical change of course, the annual wage round would be concerned

with the size of wage cuts rather than increases.

But for North Sea oil, economic regress would have begun already. "Growth has been virtually eliminated by a combination of union-enforced Luddism and over-manning, punitive taxation, excessive state borrowing and spending, interference, control and ownership."

The intensity of the Tory attack reflected growing nervousness among the party strategists about the course of the campaign in the past few days.

The NOP poll in the Daily Mail yesterday which showed Labour had taken a narrow lead has been followed by more danger signs for the Conservatives.

In the critical marginal constituency of Bolton East where Mrs. Thatcher held her rally last night, the Tory lead according to a Market and Opinion Research International (MORI) poll for Granada Television had been cut from 9 to 2 per cent.

The constituency has voted with the winning side since the war.

A BBC poll in Wales showed Labour poised to win Pembroke from the Tories and Carmarthen from the Welsh Nationalists.

Though the Tories maintained a strong lead generally in London, an ITV poll by MORI showed that its advantage had been cut from 8 to 4 per cent in the key marginal of Hford South.

The race appeared to be turning into a neck-and-neck affair, and the shift was evident in the buoyant mood of Labour leaders.

Mr. James Callaghan declared at his Press conference: "The Conservatives ran out of puff some days ago."

The long campaign had worked in Labour's favour, he said. It had enabled them to convince the electorate that it would have to pay for the Tory income tax cuts in other ways.

Questioned about the NOP Continued on Back Page

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W. German car makers to cut fuel consumption

By Adrian Dicks in Bonn

COUNT OTTO LAMBSORFF, the West German Economics Minister, has won voluntary undertakings from the motor manufacturers that they will reduce fuel consumption of new vehicles and will co-operate in a series of measures to make German drivers more aware of the need to save fuel.

During a meeting with Count Lambsdorff earlier this week, the chairmen of the major companies promised that the fuel consumption of cars would be cut by 10 to 12 per cent by 1983, and that of commercial vehicles by 5 per cent. Existing safety and emission standards will not, however, be compromised.

For the immediate future, the industry has agreed to develop a uniform method of comparing private cars' fuel consumption in heavy traffic and at higher speeds, and will advertise new models' performances from the 1980 model year on.

The motor manufacturers have also agreed to place more emphasis on advising drivers how to avoid using too much fuel, and to take part in a national free inspection campaign to check carburettors. New models will henceforth also include as a standard feature gauges showing the driver his rate of fuel use. These are already fitted on some German cars.

Other measures agreed on include more intensive research into motor fuel mixtures using substitutes for crude oil. Several programmes testing methanol blends are already under way in West Germany.

The undertakings given by the motor industry are the latest of a series of actions in which Count Lambsdorff has recently been seeking to make the German public more aware of the need to save energy.

As in previous campaigns, however, there is no hint that an upper speed limit will be imposed on Autobahns. Politicians of all parties appear to recognise not only the strength of the motor industry and motoring lobby, but also the fact that the German public is seemingly unconvinced by the arguments used in every other European country to save fuel through speed limits.

MILLIONS MARK MAY DAY AROUND THE WORLD

Red Army joins march for first time in decade

BY DAVID SATTER IN MOSCOW

MR. LEONID BREZHNEV, the Soviet President, appearing to be in his best health for months, watched the two-and-a-half hour May Day parade in Moscow's Red Square yesterday. The May Day parade was notable for the participation of Soviet armed forces for the first time in the 11 years.

Squads of paratroop commandos and blue-beretted Naval Marines performed precise military drills in the centre of Red Square, replacing the colourful gymnastic display by Soviet young people which has marked the beginning of the parade in recent years.

Mr. Brezhnev was flanked on his right by Marshal Dmitri Ustinov, Defence Minister, and by Mr. Alexei Kosygin, the Premier, on his left.

There was no other indication at the parade of increased status for Marshal Ustinov, except his position at Mr. Brezhnev's side.

In other years, Marshal Ustinov and his predecessor, the late Marshal Andrei Grechko, have been further down the line, separated from Mr. Brezhnev by Mr. Kosygin.

Mr. Brezhnev, 72, remained standing for the entire two hours, waving frequently from the Lenin Mausoleum reviewing stand at the thousands of demonstrators streaming before him.

The Soviet leader climbed the steps to the stand slowly but without difficulty, and paused to gesture to the cheering demonstrators with clasped hands. He smiled broadly and his complexion appeared ruddy.

Mr. Brezhnev became ill and dropped out of public view at the end of March with a lung infection which reportedly required treatment with strong doses of anti-biotics. He had not looked well since reappearing in public at an ice hockey match in mid-April.

During the visit last week of M. Giscard d'Estaing, the French President, Mr. Brezhnev did not hold the expected tête-à-tête discussion with the French leader, and his speech was difficult to understand. He frequently had a blank expression and seemed to have difficulty following a conversation.

Mr. Brezhnev's appearance—and presumably his health—have always had their ups and downs but yesterday he chatted on the reviewing stand with the other members of the ruling politburo, and at one point bent down to kiss a small boy sent to pin a red ribbon on his lapel.

Soviet officials yesterday gave no reason for the early release of four Britons sent to Soviet labour camps in 1976 for drug smuggling before completing their sentences. British officials said.



Soviet soldiers perform a novel drill in Red Square

SPAIN: An estimated 1m Spaniards turned out for Spain's first May Day under a constitutional Government since the civil war, in over 400 demonstrations across the country, David Gardner writes.

handed in Barcelona and Madrid. Large numbers turned out in the Basque country, Valencia and the main Andalusian cities. PORTUGAL: About 50,000 members of the General Workers Confederation held a peaceful march through central Lisbon yesterday, Jimmy Barnes

writes. Banners called on the country's non-party Government to resign, and protested against the rising cost of living. IRELAND: A large number of trade union members—estimated by police at 12,500, but put by other observers at over 30,000—took part in a

march yesterday in protest against what they see as the country's unfair tax system, our Dublin correspondent writes.

YUGOSLAVIA: President Tito marked May Day with a televised party session stressing Yugoslav independence from Soviet control.

The speech came at a time when Tito is believed to be preparing for a trip to Moscow in an effort to ease strains caused by differences over a variety of issues, including the Vietnamese-led invasion of Cambodia.

IRAQ: Parades of tens of thousands with the denunciation of President Sadat of Egypt as their main theme were held in Baghdad. In JORDAN, King Hussein called for Arab unity and vowed to continue the Arab struggle.

ITALY: Workers' demonstrations were dominated by concern over high unemployment, guerrilla violence and next month's General Election.

Some 10,000 leftists shouted slogans against the ruling Christian Democrats as they marched in Rome. The demonstrators also called for an early settlement to a new round of wage demands.

CHINA: Millions in Peking celebrated with picnics and marches, while a new plank poster on Democracy Wall complained of "hunger, persecution and unemployment."

Vatican signals ostpolitik intentions

Paul Betts in Rome

BARELY A month before his historic visit to his native Poland on June 2, Pope John Paul has chosen as his "foreign minister" the man who has been largely responsible during the past decade for the Vatican's relations with the Communist countries of Eastern Europe.

In this respect, the appointment of Archbishop Caseroli as acting Secretary of State is significant.

It indicates that the Polish Pope intends to continue the Vatican's ostpolitik launched in a quiet and unobtrusive way by the late Pope Paul VI. This policy has sought, above all, to improve relations with Communist countries, with the Vatican making limited concessions for what is generally called pastoral gains.

It has been a patient and slow process conducted with considerable diplomatic skill by Monsignor Caseroli.

The appointment of the 64-year-old Italian archbishop is expected to be welcomed by the East European governments, which have been clearly concerned about the election last October of the first Pope from a Communist country.

Pope John Paul, however, has now demonstrated explicitly that he intends no radical changes in Vatican diplomacy. At the same time, by nominating an Italian to the second most powerful post in the Roman Catholic Church, the Pope has re-established the balance between Italians and non-Italians in the Vatican hierarchy.

This balance effectively was broken with the election of the first non-Italian Pope in four and a half centuries. The former Secretary of State, the late Jean Caridian Violot, was a Frenchman. He died in March.

The choice of Monsignor Caseroli also reflects the Vatican's intention of reducing its direct involvement in Italian affairs and its so-called special relationship with the long-ruling Christian Democratic Party.

It is of particular significance coming on the eve of the official opening of the Italian general election campaign. Monsignor Caseroli has been actively involved in the revision of the Concordat, the pact between the Church and the Italian state, whose principal aim was to establish their mutual independence and autonomy, and the non-interference of the one in the other's affairs.

Equally significant is the decision of the Pope, who has little experience of the Roman Curia, to choose a man who is well versed in the intricate policies of the Vatican.

Monsignor Caseroli, unlike the Pope, has little pastoral experience and is effectively a product of the Curia. He was born in 1914 in a small town near Piacenza in northern Italy and became a priest in 1937. Three years later, he joined the Vatican Secretariat of State where he has worked his way steadily up the ladder.

Pope John Paul is expected to announce shortly his first consistory at which he will name a number of new cardinals. These will include Monsignor Caseroli who, under the apostolic constitution, must be a cardinal to be Secretary of State.

Although he now only holds the title of acting Secretary of State, he is taking on the full duties of his key position in the Roman Catholic hierarchy.

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Briton stokes fires of Belgian language war

BY GILES MERRITT IN BRUSSELS

IN THE unexpected guise of an executive of a multinational corporation, Britain has become embroiled in Belgium's language war.

The Flemish-Walloon rivalry that last October provoked a six-months' government crisis, has flared into farce in the tiny Walloon town of Jauche, with a British accountant playing a lead role.

The row is more a comedy of errors, and stems from a determined bid by the Belgian authorities to deal evenhandedly with the Dutch speaking Flemings and the franco-phone Walloons to the south. Because the Scheldt estuary leading to the Flemish port of

Antwerp has lately been dredged, so too, it appears, must be the muddy streams of Wallonia.

To help spread the benefits of the public works programme, Flemish contractors were chosen to dredge the River Jauche some 30 miles south-east of Brussels. That along caused muted Walloon grumbling, although relations between the Jauchois and the two-man work team soon worsened further.

The contractors spoke little French, let alone the local patois. While Jauche is less than 10 minutes' drive from the language line marking Flanders, communications became a problem.

Like many Belgian towns, Jauche makes up in tidiness what it lacks in architectural charm. The population which at first welcomed the learning of the river, later decided the river banks were being spoiled.

To halt the dredging, some householders formed themselves into what has been described as a deep sea angling club and declared a stretch of river closed.

General discontent came to a head last week, when a Belgium-based British accountant took action that has translated a local language tiff into a legal wrangle.

Insensed at damage allegedly being done to the riverside

meadow which he had put up for sale, he immobilised the contractor's mechanical digger.

Aided, abetted and doubtless egged on by a small crowd of neighbours he tampered with its electric and the digging arm and now faces a £1,000 damages suit and possible criminal charges.

The Governor of the Province of Brabant has been involved, and police evidence has been sent to the Procureur du Roi to decide on further proceedings.

Jauche's single and controversial British resident, however, is unrepentant. If bemused, "they seem to lack a sense of humour here," he said.

Suarez talks to Polisario

BY DAVID GARDNER IN MADRID

SR ADOLFO SUAREZ, Spain's Prime Minister, held talks with the leadership of the Polisario front, the Saharan independence movement, during his two-day visit to Algiers, which ended yesterday.

This is Spain's most overt recognition so far of Polisario, and represents a definite shift in Spanish policy towards the Maghreb states and its former colony of the Western Sahara.

Spain is motivated as much by internal considerations as by the need for a dignified diplomatic exit from the war it bequeathed to the inhabitants of its former colony and their neighbours.

Any attempt to form a Madrid-Algiers-Polisario axis

would be countered by Morocco pressing its claim to Spain's North African enclaves of Ceuta and Melilla, but Sr. Suarez's Government is thought more concerned by the future of the Canary Islands.

Sr. Suarez described the meeting with Polisario as a simple exchange of views, and denied that his talks with Mr. Mohammed Abdul Ghani, Algeria's Prime Minister, touched on the Canary Islands or a possible NATO base in the Canaries if Spain joins the alliance.

Sr. Suarez also confirmed that Mr. Mohammed Aziz, Polisario's leader, had informed him of Libyan-arranged peace negotiations between the guerrillas and Mauritania.

Austrian general election: a clash of personalities

BY PAUL LENDVAI IN VIENNA

WITH VOTING in the Austrian general election on Sunday, the campaign has boiled down to one crucial question: "Does Austria want Kreisky?" The hundreds of thousands of election posters around the country offer their own unequivocal answer: "Kreisky. Austria needs him." But will the 5,183,019 eligible voters agree?

Dr. Bruno Kreisky has now been at the helm of his socialist government for the past nine years. Only a couple of months ago most people were predicting that he would lose his absolute majority in the elections and have to form a coalition, something which Kreisky has always said he would never do.

Dr. Kreisky has said he would not form a coalition with the main opposition People's Party and that the smaller Freedomite Party under its present leader, Dr. Alexander Goetz was not an eligible partner. In that case a government would almost certainly have been formed by a younger socialist or the People's Party leader Dr. Josef Taus.

Austrian papers suggested that the Chancellor, who was 68 years old last January, had lost his touch. Criticism was fuelled by the Government's defeat at the referendum about the commissioning of Austria's

first nuclear power plant, the troubles with his ambitious deputy, Vice-Chancellor and Finance Minister Dr. Hannes Androsch as well as rumours about Dr. Androsch's business interests and finally the election of a staunchly conservative former radio and TV director as chief of the State-owned broadcasting corporation.

In the final analysis, however, the election is likely to hinge on personalities. Dr. Kreisky, the Socialist combines the traditions of the Austrian Socialist movement, generally led by the middle and upper middle class, and the flair of a grand bourgeois, whose family has for generations been active in industry, politics and the free professions.

The fact that Dr. Kreisky is Jewish in a country with a history of anti-semitism where Adolf Hitler was born did not harm but may even have helped his political career. Dr. Kreisky spent over a decade in Sweden as a political refugee between 1938 and 1945 and later as an Austrian diplomat.

His additional attraction is that he is an internationally known opponent of Zionism and a sharp critic of Israeli policy with regard to the occupied territories saying that the Palestinians should not be over-



The challenger, Dr. Josef Taus, leader of the People's Party



The challenged... Socialist Chancellor Bruno Kreisky

looked. The main point is, however, that the "Kreisky era" coincided with an unprecedented period of prosperity combined with labour peace and international recognition.

A growth rate of almost 4 per cent per annum from 1970 to 1978, the maintenance of practically full employment and a respectable rise in personal incomes are achievements no

one can dispute. The country has also had to pay a price for all this in massive budget deficits and a jump in federal debt from 10 per cent in 1974 to 26 per cent last year.

But the Opposition has failed to translate the deficit caused by the spending spree and its consequences into plain language understandable to the average Austrian. Dr. Kreisky

prefers to point out that the inflation rate fell from 7.6 per cent in 1976 to 5.5 per cent in 1977 and to 3.6 per cent last year. It is worth adding, however, that the economic situation was equally healthy under the former People's Party Government between 1966-70.

At 88, Dr. Kreisky is almost 33 years older than the People's Party leader Dr. Josef Taus, who until 1975 was running the country's second largest bank, Girozentrale, the central institute of the Austrian savings banks. It was the death of opposition leader, Dr. Karl Schleimer in a car accident during the election campaign which projected Dr. Taus into politics and to his eventual election as party leader less than three months before the elections.

The Socialists won that election with an absolute majority giving Dr. Kreisky's party 93 of the 183 seats, while the People's Party has 80, and the Freedomite Party ten. In percentage terms, the Socialists captured 50.4 per cent, the People's Party just under 43 per cent and the Freedom Party 5.4 per cent.

An important factor is that Dr. Kreisky has always been more popular than his Party and in terms of voters' preferences, he is way ahead of Dr. Taus. Thus, the Socialists conduct a campaign overshadowed by the personality of Dr. Kreisky. Even

opponents of the nuclear power, which the Chancellor favoured last autumn, came out publicly for Kreisky as the best man available.

By contrast, the main opposition began with a colourless campaign almost indistinguishable from the Government's line. Only after the accident in the U.S. nuclear plant at Harrisburg was a massive campaign launched personally attacking the Chancellor. Finally, this week a former journalist began to stage demonstrations with the tacit support of the People's Party in protest against the freight transit tax on lorries. However, such actions are likely to harm rather than help the People's Party.

The smaller opposition party, the Freedomites is led by a man who won a local election as mayor in the city of Graz but has failed to impress audiences in the rest of the country. His predecessor Herr Friedrich Peter, erstwhile officer of the Waffen SS was a much more accomplished politician. It was Herr Peter and his party's support which enabled Dr. Kreisky to remain in power as a minority government from April 1970 to October 1971.

Dr. Goetz, is depicted by the Socialist propaganda as an arch-reactionary with sympathies for pan-German and

Nazi ideas. Though he was kept in jail for 14 months by the British occupation authorities as a young boy, there is no evidence to prove Dr. Goetz's Nazi sympathies.

The extent of the likely Socialist victory depends primarily on results in Vienna. If the Socialists repeat their success in 1975, observers do not exclude the possibility that Dr. Kreisky may again get an absolute majority. However, last autumn thousands of Socialist voters and Party members drove to the countryside or stayed at home instead of going to the polls at the local municipal elections.

One of Dr. Kreisky's biggest liabilities were accusations that Dr. Androsch found lucrative jobs for his secretaries. There were cover stories in the popular papers about his accountancy firms which were reported to have had a turnover of well over £700,000 last year and employed some 80 people. Those scandals may cost Dr. Kreisky a number of crucial votes in marginal constituencies in Vienna.

But it is felt by the Socialists that in the end these things will be overshadowed by the personal choice between Kreisky on the one hand and Taus-Goetz on the other. However, the young may yet upset these calculations as half a million of them vote for the first time.

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Opinion 150

Bush aims for White House

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

MR. GEORGE BUSH yesterday became the latest in the long line of Republican politicians to announce his candidacy for the Presidency next year.

The former Texas congressman, director of the Central Intelligence Agency, United Nations Ambassador, national chairman of the Republican Party and successful businessman formally launched his candidacy by proclaiming, in the words of former President Eisenhower, that he would seek "the middle way" to the White House.

Addressing a large audience at the National Press Club here, he excoriated the "tax and spend" policies of the Democratic Party, and declared what he said was President Carter's lack of leadership. But he almost entirely avoided critical comments on his Republican rivals for the nomination, seeking instead to portray himself as the candi-

date who could both unite the party and appeal to moderate independents and Democrats.

Most political analysts do not, at this stage, give much for Mr. Bush's chances, despite his obvious wide experience, familiarity with the party faithful, and impressive public demeanour.

He has, in fact, been running for the nomination for several months, endlessly mining the north-eastern states, which are holding early primaries next year, but without apparently denting the lead held by the conservative front runners for the Republican candidacy, Mr. Ronald Reagan, the former John Connally, the former Treasury Secretary.

In theory, Mr. Bush's best Californian Governor, and Mr. hope might be for the Republican right to carve itself up in the primaries, thus letting a moderate in by the back door. But, according to the polls, Mr. Bush is not even

'Many die' in Nicaragua fighting

MANAGUA — National Guardsmen regained control of the northern city of Leon on Monday after many died in fierce street battles with Left-wing guerrillas, residents said.

A political opponent of President Anastasio Somoza and dozens of labour leaders were reported detained, apparently to stop a May Day rally banned by the Government.

Sr. Pedro Bustillo, Leon's Red Cross director, said: "The dead and wounded in the streets are numerous."

Another Red Cross official said at least 100 people were killed in the fighting, which also involved a rocket-armed National Guard plane.

Other reports said guerrillas of the Sandinista National Liberation Front apparently slipped through National Guard lines in Leon and escaped.

House rejects oil rationing plan

BY DAVID BUCHAN IN WASHINGTON

A KEY congressional committee could have removed the rationing plan—which has already been endorsed by the Senate energy committee—from the President's public appeal, it looked like doing so.

Despite the feeling by some House committee members that the rationing scheme is inequitable, the battle will now be carried to the House floor. Mr. Carter has warned that without a standby allocation plan, it would take six to seven months to respond to any widespread petrol shortages.

The picture on Capitol Hill is further confused by different House and Senate committee actions on the other three, and less vital, parts of President Carter's standby conservation measures.

The House committee, given jurisdiction in this area by the 1975 Petroleum Allocation Act, has dealt a slap, but not yet a fatal blow, to the Administration's standby petrol rationing plan, despite President Carter's last-minute appeal for its approval.

The House commerce committee yesterday voted out the rationing plan, with no recommendation one way or another, which will now go to the full House of Representatives for debate.

Mr. Carter said on Monday that it was "imperative for our nation's energy preparedness" that the committee approve the rationing scheme, which would come into effect if petrol shortages materialise. These could occur, Mr. Carter warned, as early as this summer.

The House committee, given jurisdiction in this area by the

Mexico to get uranium shipments

By William Chislett in Mexico

THE first shipment of enriched uranium to enable Mexico to bring into operation its first nuclear power plant for producing electricity will arrive from the U.S. later this year.

Sr. Hugo Cervantes del Rio, the Director of the Federal Electricity Commission, said that the U.S. had lifted its "embargo" on the uranium and that 377 tonnes of enriched uranium was expected to arrive "in the next months." The uranium which Mexico bought from France for enrichment has been held up in the U.S. because Mexico refused to accept the conditions of the U.S. Nuclear Regulatory Commission, which wanted U.S. inspectors to oversee the use of the uranium.

A compromise has been reached whereby the International Atomic Energy Agency will oversee the uranium.

ROBIN REEVES, RECENTLY IN PORT-AU-PRINCE, REPORTS ON THE CHANGES IN HAITI

'Baby Doc' gets to grips with a crisis economy

ROADBLOCKS have been up again in the Caribbean republic of Haiti. The reappearance of these symbols of the murderous regime of Francois ("Papa Doc") Duvalier, the late Haitian dictator, are a measure of the stirring of political awareness among the population, triggered by February's elections to the National Assembly.

They also reflect precautions taken after an attack on a police station in the south. Then a member of the paramilitary *Volontaires de la Securite Nationale*, better known as *Tontons Macoutes* ("Boogymen") was killed and another injured.

Shortly before the election, the Government—headed for the past eight years by Papa Doc's son, Jean-Claude ("Baby Doc") Duvalier, 26—claimed to have uncovered a plot by exiles to bomb Government buildings.

Up to 100 people were reported arrested, including M. Joseph Maxi, one of the leaders of the *Haitian Human Rights League*. M. Maxi was accused of failing to disclose his knowledge of the plot.

The General Election took its usual course. Government employees were transported from one polling station to another with packets of voting papers to

ensure the re-election of a 300-seat Assembly loyal to the Duvalier regime.

But in the northern city of Cap-Haitien, a retired customs official, M. Alexandre Lerouge, stood as an independent candidate on a human rights platform, and in a rousing campaign, trounced a Government Minister.

Dictatorship

It would be wrong to conclude from these events that the 22-year dictatorship of the Duvalier family is running into difficulties.

Apart from the roadblocks, the political atmosphere in Haiti shows every sign of returning to normal. President-for-life Jean-Claude has already visited Cap-Haitien to mend his fences in traditional fashion.

This means a motorcade through the streets, throwing wads of money to the crowds.

More significantly, perhaps, M. Maxi, out of prison after a two-month spell, is threatening to sue the Government for breaching the constitution by holding him incommunicado for more than 48 hours.

This threat was issued immediately after M. Maxi came

out of gaol. In a radio interview, he was asked about his experiences and conditions in the prison. Haiti is still a dictatorship, but a radio interview such as this shows that conditions now bear little relation to the frightening picture painted by Graham Greene in his book, "The Comedians."

The tourists are back in ever-increasing numbers, as are many well-to-do Haitians, driven into exile by the bloody excesses of Papa Doc.

Tensions continue within the Government between the old guard, headed by Papa Doc's widow, Simone, 66, and a younger generation of advisers around Jean-Claude.

But the régime has gradually softened, particularly over the past three years, and with it has come a momentum towards tackling Haiti's enormous economic problems.

It is now being said that, providing you keep out of politics, you can do more or less what you like—even go on strike.

This softening undoubtedly stems partly from pressure by the U.S., to whom Haiti's repressive régime and dire poverty



enterprises comprise limited assembly operations by foreign-owned companies taking advantage of Haiti's cheap labour.

Wages rates are about \$1.50 a day for those lucky enough to secure a job. Inflation is low.

A crude measure of Haiti's unemployment problem is the number of Haitians who have braved a 600-mile journey by fishing boat to Florida in the hope of gaining illegal entry to the U.S.

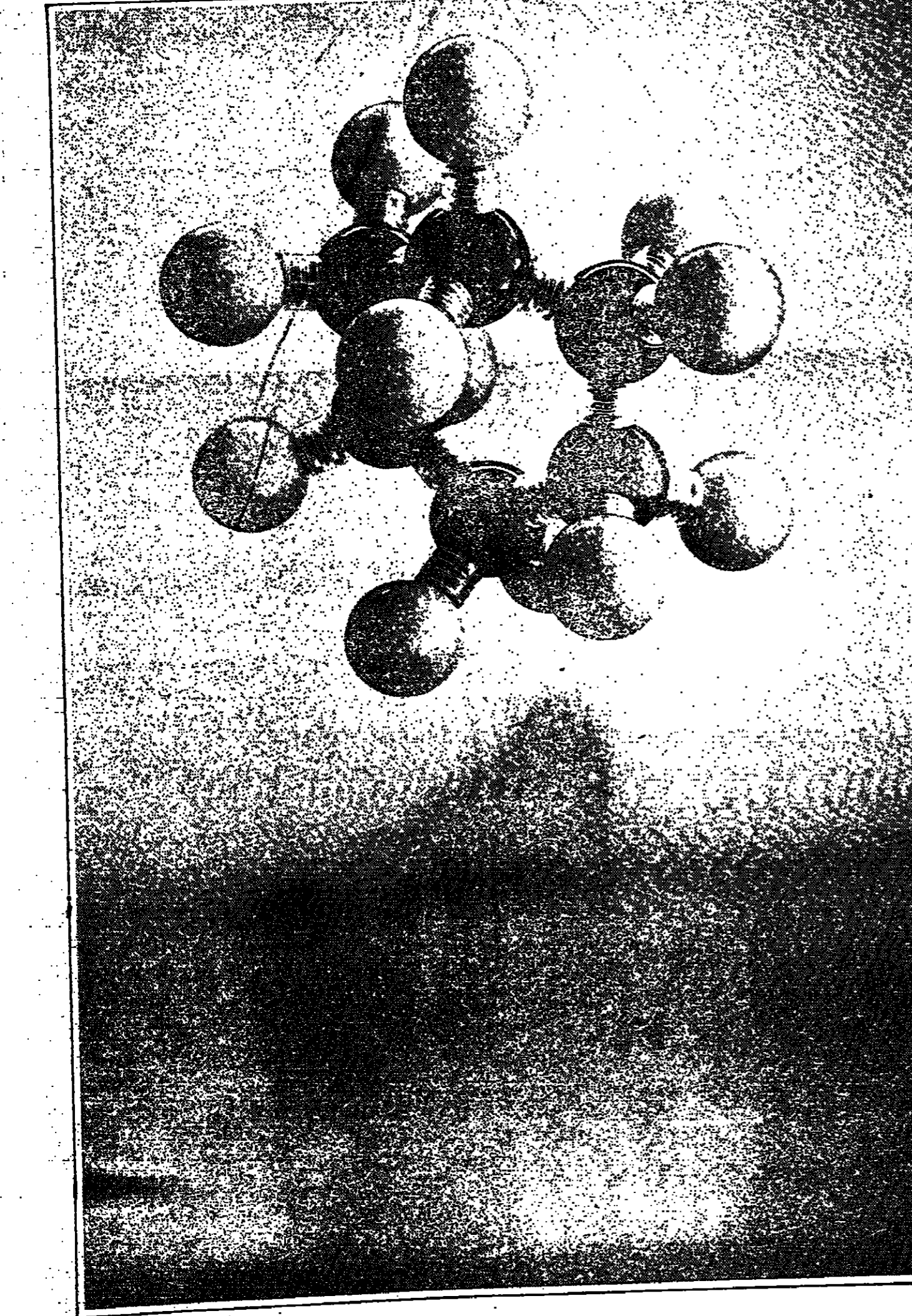
Since Haiti is the only Less Developed Country in Latin America, it is receiving unprecedented attention. This is coming not only from numerous international organisations but from 100 non-governmental aid bodies and charities.

Leading the field is the U.S. which, under the current five-year plan, is committed to financing around a quarter of the planned public investment of \$800m.

Commitment

Canada comes next with a commitment of \$43m, followed by West Germany (\$23m), France (\$7m), then Taiwan and Israel.

Almost every UN agency is most represented, with over 80



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OVERSEAS NEWS

Ethiopians plan to resettle 2m people

ETHIOPIA intends to move 2 million people from a region chronically affected by famine to more fertile, less heavily populated areas. This was confirmed at the UN meeting by Ato Shimelis Adugna, the Government's Commissioner for Relief and Rehabilitation.

Bad maintenance

The problem in this rugged highland area is that the land is constantly being eroded as a result of bad maintenance of terraces, overgrazing, and deforestation. It is overpopulated and, with the population growing at 2.5 per cent a year, it does not take much of a crop failure to tip the balance between subsistence and famine.

Four executed in Iran for corruption

Three former police officers were executed in Iran yesterday after an Islamic Revolutionary Court in the northern city of Gorgan found them guilty of "being corrupt".

Sanjay arrested

Mr. Sanjay Gandhi, son of Mrs. Indira Gandhi, the former Prime Minister, was arrested here yesterday after clashes between his supporters and police.

Volcano deaths

About 80 people are thought to have died when floods, caused by the eruption of a long-dormant volcano, swept away seven villages in West Sumatra.

Indonesian surplus

Indonesia recorded a trade surplus in the six months up to March. AP-DJ reports from Jakarta.

Air fares meeting

Transport officials from the Association of South-East Asian Nations (ASEAN) and Australia are meeting in Kuala Lumpur today in a further attempt to resolve their differences over Canberra's cheap air fare scheme between Australia and Britain.

Security Council condemns elections in Rhodesia

BY OUR FOREIGN STAFF

THE UN Security Council has strongly condemned the elections in Rhodesia and described the results as null and void. The resolution was carried by 12 votes to three, with Britain, the U.S. and France abstaining.

Namibia moves closer to self-rule

BY JOHN STEWART IN CAPE TOWN

PLANS to set up an interim legislature in South West Africa (Namibia) seemed close to completion yesterday when the territory's Constituent Assembly discussed a motion by the Democratic Turnhalle Alliance calling for responsible self-government.

Mulder bid to implicate Horwood

BY OUR JOHANNESBURG CORRESPONDENT

THE South African Government's effort to contain the scandal over the secret activities of its Information Department has been shattered by continuing revelations from Dr. Connie Mulder, the former Information Minister, about the complicity of his former government colleagues in these projects.

Violence at May Day rally in Rawalpindi

By Chris Sherwell in Islamabad

TWENTY-THREE people, including four women, were treated for pellet wounds in Rawalpindi yesterday after an attack on a May Day meeting of newspaper workers.

Jakarta gas supply

Indonesia's state oil company, Pertamina, has started to pump natural gas to Jakarta as part of its campaign to reduce domestic oil consumption.

Philippines surplus

Philippines recorded a trade surplus in the six months up to March. AP-DJ reports from Manila.

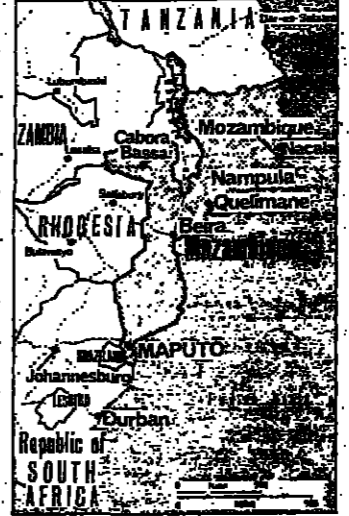
Air fares meeting

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MOZAMBIQUE REBUILDS ITS ECONOMY Paying the price of war

BY BERNARD SIMON, RECENTLY IN MAPUTO

NOTHING better illustrates Mozambique's plight than President Samora Machel's willingness to bury his political pride by seeking closer commercial links with South Africa. In order to bring in desperately needed foreign exchange, the Maputo Government will soon launch an ambitious publicity drive to persuade South African traders to route more of their imports and exports through Mozambican ports.



According to United Nations estimates, the overall balance on current and capital account has deteriorated steadily from a deficit of only \$8m in 1973 to \$185m in 1977 and \$225m last year. These figures do not include the sale of gold received as part of the wages of miners working under contract in South Africa.

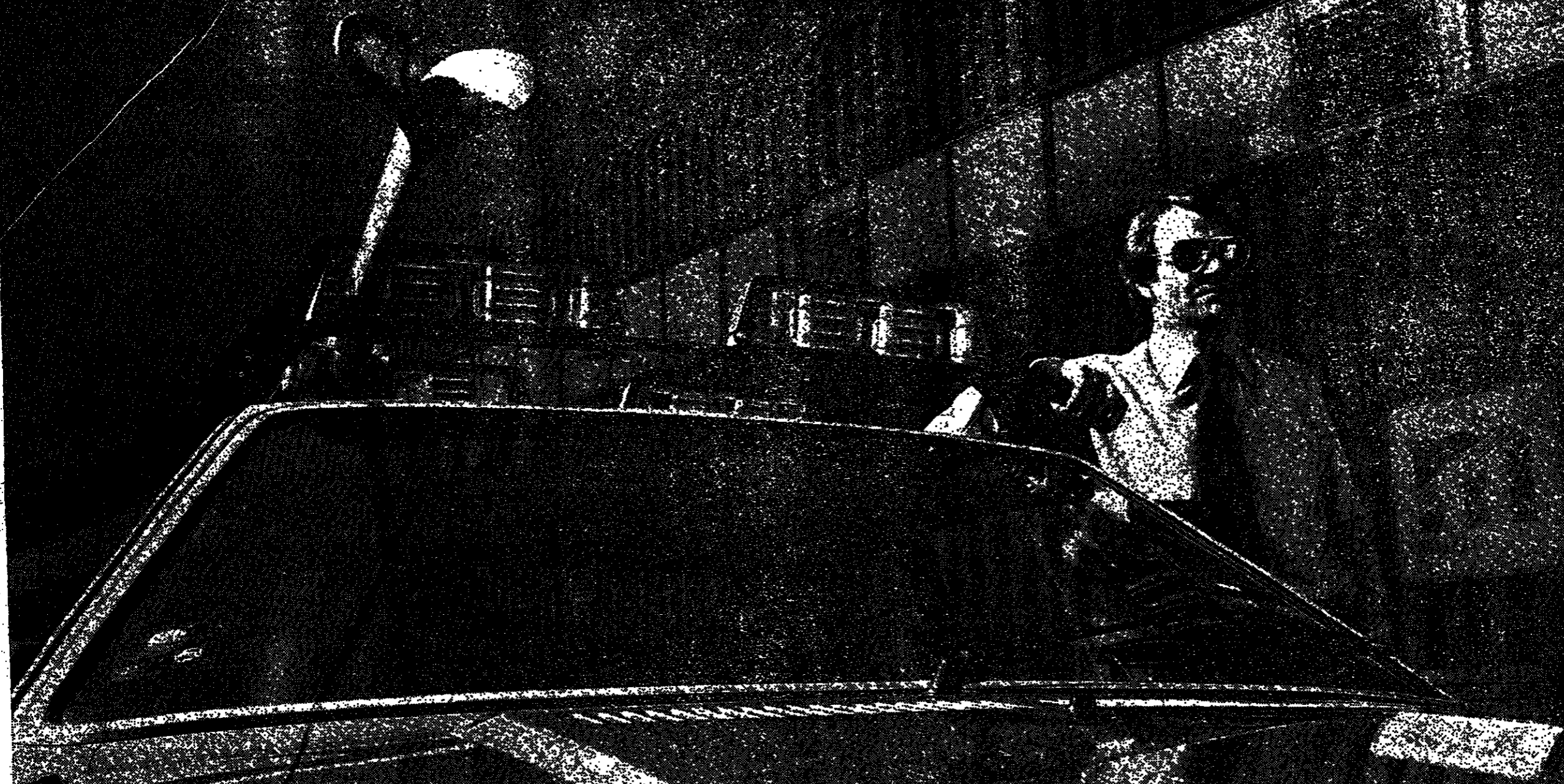
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Israelis to close five factories in El Arish BY DAVID LENNON IN TEL AVIV FIVE ISRAELI factories operating in El Arish on the occupation line will have to close before the town is returned to Egyptian control by May 25, a member of the Israeli military delegation said yesterday.

JP 11/150



**"SALES ARE 50%
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YES, MILTON KEITH
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DAVID ROBERTS, GENERAL MANAGER, FRANCHISES

Third World urged to accept GATT safeguards

BY BRIJ KHINDARIA IN GENEVA

THE INDUSTRIALISED nations participants of the Tokyo Round negotiations are prepared to go ahead with a trade package without a safeguard code if further talks on the code fail to produce agreements.

The Common Market appears to have hardened its resolve, as shown by its tough position on selectively, which led to the collapse of negotiations last month. The Community's hand has been strengthened by firm support from Scandinavian countries, and Canada.

Switzerland is sitting on the fence but thinks that there is no need to change the current Article 13 of the General Agreement on Tariffs and Trade (GATT) which lays down rules for imposition of import tariffs against injurious competition from foreign-made goods.

The U.S. is also partly back-

ing the Community's position, although it would like some softening in the Nine's insistence that they should be allowed to impose tariffs selectively against particular suppliers without prior clearance by any surveillance body.

The developed countries view has been made clear to developing countries, which are due to review the state of Tokyo Round negotiations at a major United Nations conference on Trade and Development (UNCTAD) this month in Manila.

Senior diplomats here say that developing countries may never get a similar opportunity to obtain a safeguard clause. They argue that the existing Article 19, which would remain in force unchanged, if the safeguard negotiations fail, allows much more leeway to industrialised nations to unilaterally curb imports from any source.

As more developing countries become significant exporters of products that compete more effectively with locally-made goods in industrialised countries, these governments would be forced to take an even less liberal stance concerning safeguard negotiations than at present.

The hope now is that the hard-liners among developing countries will be persuaded by their colleagues in Manila to accept a safeguard code which allows for selective application of import tariffs under certain extraordinary conditions and subject to close surveillance. The Common Market will also have to soften its stance concerning surveillance measures.

The safeguard codes negotiations, which will resume in Geneva after the Manila conference are due to reach conclusion by July 15.

Kraftwerk Union tipped for Saudi desalination contract

BY LESLIE COLT IN BERLIN

A CONSORTIUM headed by West Germany's largest builder of electric power stations, Kraftwerk Union (KWU), is reported to be on the verge of winning a DM 1.5bn (\$771m) contract to build a desalination plant and power station at Al-Khobar in Saudi Arabia.

The KWU-led consortium includes French and S. Korean companies which would build a desalination plant capable of producing 268,000 cu metres of fresh water daily and an adjacent power station with a capacity of 750,000 kw. The project is to be completed by mid-1982.

U.S. and French companies were competing for the project, but the Americans dropped out earlier in the bidding. In March, KWU completed its DM 1.5bn, stage III desalination plant and power station, which it is believed, made it a favourite to gain this project. The final contract price is said to be considerably less than the £1.93bn

original low bid reportedly submitted by KWU last year.

According to Press reports in Saudi Arabia the contract is by far the biggest ever awarded by the Saline Water Conservation Corporation and the largest in Saudi Arabia's second five-year plan (1975-80).

The contract would be particularly welcome at KWU, a Siemens subsidiary, as the company still does not know whether it will be permitted to complete two 1,300 MW nuclear power plants in Iran, which are in an advanced state of construction.

KWU has 500 West Germans at the site and 700 Iranians. A KWU spokesman says the company has only the "barest hope" of finishing the stations, which were to have been completed in 1981 and 1982. KWU also had a letter of intent from the Shah's Government for four additional nuclear power stations in Iran, but the present authorities in Tehran said recently that these will not be built.

U.S. Supreme Court rules against California ship tax

BY DAVID BUCHAN IN WASHINGTON

A POTENTIAL dispute involving Japanese and California shipping interests has been removed by a Supreme Court ruling that the cities of Los Angeles and Long Beach cannot levy property taxes on foreign-owned shipping containers temporarily in their ports.

The court decision on Monday, which overturned a California Supreme Court ruling against which six Japanese shipping lines had appealed, held that the U.S. Constitution forbade such a tax on foreign commerce.

The majority opinion of the U.S. Supreme Court, written by Justice Harry Blackmun, argued that California's unilateral tax created risks of double taxation by the State and the Federal Government, that it prevented the U.S. from speaking "with one voice" in regulating foreign trade, and ran the danger of retaliation by Japan, the country whose shipping was most affected by the taxes.

U.S.-owned cargo containers

are not taxed in Japan. The risk of retaliation by Japan, under these circumstances, is acute, and such retaliation of necessity would be felt by the nation as a whole," the court held.

Under the ruling, the cities of Los Angeles and Long Beach must refund some \$550,000 (\$269,000) paid in taxes by the six Japanese shipping companies. Last year 12 countries, including the UK, protested to Washington about the California taxes, because none of them imposed any taxes on U.S. containers in their ports.

Series, which was Britain's first million selling tractor range.

MF in Britain will also supply 40 combine harvesters, three of which are of special rice harvesting type, together with a number of manure spreaders and mowers.

The remainder of the order will be provided by MF plants in France and Australia, where a similar success order follows a Japanese order for MF in Sri Lanka where orders valued at \$2m have been obtained for farm tractors, again supplied from Coventry.

£7m tractor order for MF

FINANCIAL TIMES REPORTER

AN ORDER worth a total of some £8m has been placed with Massey-Ferguson by Mitsubishi, the company's distributor in Japan.

The largest part of the order will be supplied by Massey-Ferguson sources in the UK, including upwards of 100 tractors to a value of some £7m.

Ranging from 47 hp to 79 hp, the tractors are of the 200 Series, which went into production at Massey-Ferguson's Coventry plant in April as part of development of the MF 100

Ulster company in £18m deal

By Our Belfast Correspondent

THE ULSTER factory of Canada, the Texas-based oil field equipment manufacturer, is to share in a £100m order for the Soviet Union.

Canada, which set up in Ulster 20 years ago, said that its part of the order was worth £18m. It would work in partnership with a French concern, Technip.

The company expects to increase slightly the 220-strong labour force at its Monkstown factory, near Belfast, to handle the order.

With assistance from the Northern Ireland Department of Commerce towards building machinery and equipment costs, it is adding a 27,000 sq ft extension to the plant.

HK may get £96m bridge

BY OUR OWN CORRESPONDENT

HONG KONG may get a three-part suspension bridge linking the north-western part of Kowloon to Lantau Island (to the west) that may cost the Hong Kong Government HK\$1bn (£96m) at present-day costs, according to the Hong Kong Trade Development Council.

The proposal for this bridge, which will look similar to the Golden Gate Bridge in San Francisco, was made after a feasibility study by Government-appointed consultants—a group comprising Mott Hay and Anderson Far East, Per Hall Consultants, L. G. Mouchel and Partners (Asia), and Harris and Sutherland Far East. A decision will be made within three months.

If the proposals are approved, Hong Kong will be the first typhoon-prone area to have suspension bridges.

The suspension bridge over the main crossing—one of the longest of its type in the world—will have a clearance of 62 metres for shipping while that across the Kap Shui Mun channel will provide a 50-metre clearance.

The report recommends that the crossing will initially cater for four lanes of traffic.

It is expected that if design work begins promptly, the project could be completed by 1984.

Brazil joins Airbus list

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE EUROPEAN AIRBUS continues to sweep through world airliner markets, with further orders from two airlines yesterday for five aircraft, worth two more on option, with in all about \$231m (£112m).

The Brazilian airline, Cruzeiro do Sul, has signed for two A-300 airliners and has taken an option on another two, worth in all \$132m.

In addition, it was reported from Cairo that Egyptair had initiated an agreement with Airbus Industrie for three A-300s, worth \$99m.

Egyptair also initiated an agreement with McDonnell Douglas of the U.S. for four long-range DC-10 tri-jet airliners, worth about \$300m.

The Brazilian and Egyptian orders bring total orders for the European Airbus to 290 aircraft, of which 198 are A-300s and 92 are A-310s.

SOUTH KOREAN PETROCHEMICALS

Self-sufficiency planned

BY IAN HARGREAVES

SOUTH KOREA'S progress towards becoming the tenth largest petrochemical manufacturer in the world—a prospect timetable for completion in 1981—has been perhaps the least noticed feature of the country's rapid industrial development.

The explanation lies in the fact that in spite of growing at more than 21 per cent a year (at constant money values) in the last 15 years, the industry has remained small in unit size and low in technological resources and therefore uncompetitive in international markets. Korea's basic asset for export competitiveness in industries like textiles and electronics—that of cheap labour—does not apply in the capital-intensive chemicals industries. As a result Korea has not been in a position to export petrochemicals profitably.

Further, the Korean petrochemical industry has expanded only at the same rate at which domestic demand for chemical products has been growing and it is only in the course of the present five-year plan (1977-81) that progress is being made in import substitution. But the end of the next decade, Korea expects to be emerging as a significant force in most major areas of the petrochemical and fine chemical industries.

The basic component in this strategy is the Government's establishment of three united petrochemical complexes, with a fourth expected to move into the planning stage in the next two years.

The first 19-plant complex, now well-established in the Ulsan area, has a naphtha cracking capability of 155,000 tonnes a year (on an ethylene basis), but the second plant now virtually complete at a cost of \$1.2bn further west along the southern

coast of the peninsula, at Yochon, has a nominal capacity of 350,000 tonnes and is forecast to achieve actual production of 420,000 tonnes. A third complex alongside Yochon is to be started in 1980, with a similar capacity and the fourth unit, due to start operations in 1982, but not yet planned in detail, will reach in excess of 500,000 tonnes—thus achieving internationaly accepted economies of scale. By 1986, total Korean production on an ethylene basis is put at 1.5m tonnes per year. This represents about one quarter of Japan's 1977 capacity, but will give Korea self-sufficiency in all basic petrochemicals, the Government believes.

Because of its clearly unprofitable loss-making nature, the Government financed the first Ulsan naphtha cracker directly in a 50-50 joint venture between Korea Oil Company and Gulf Oil. Gulf will probably be bought out later this year.

Government also took a direct stake in many downstream facilities in order to attract foreign technology, but as these have become established it has sold the interests to private companies. This was the case, for example, with Korea Pacific Chemical Corporation, the country's fourth ranking petrochemical company, which is now 50 per cent private Korea interests and 50 per cent Dow Chemical. The naphtha-cracking facility at Yochon has also been passed into private hands before full-scale operation of the complex and is now owned 80 per cent by the Daelin group, which has heavy construction interests, and 20 per cent by Lotte, in a joint holding company, the Honam Ethylene Company. In the third complex, the Government does not expect to hold any direct stake, although it will

continue to provide guaranteed loans to favoured projects.

One area, however, where the Government retains an important role is in the fostering of research and development in the Korean industry so far. In the fine chemicals sector, for example, R & D personnel account for only 10 per cent of the industry's workforce, compared with 27 per cent in developed countries.

In an attempt to improve this situation and create a research and technology base to match the increasing scale of petrochemical production, the Government is establishing a Chemistry Research Institute at Daedoc. It will also continue, to some extent, to protect the domestic industry from competitive imports of petrochemical products, although the Government's general policy of import liberalisation aims slowly to reduce these supports as the industry's international competitiveness is established. It will also encourage use of domestic machinery and plant construction companies, an area being rapidly developed by Korea's heavy industrial groups.

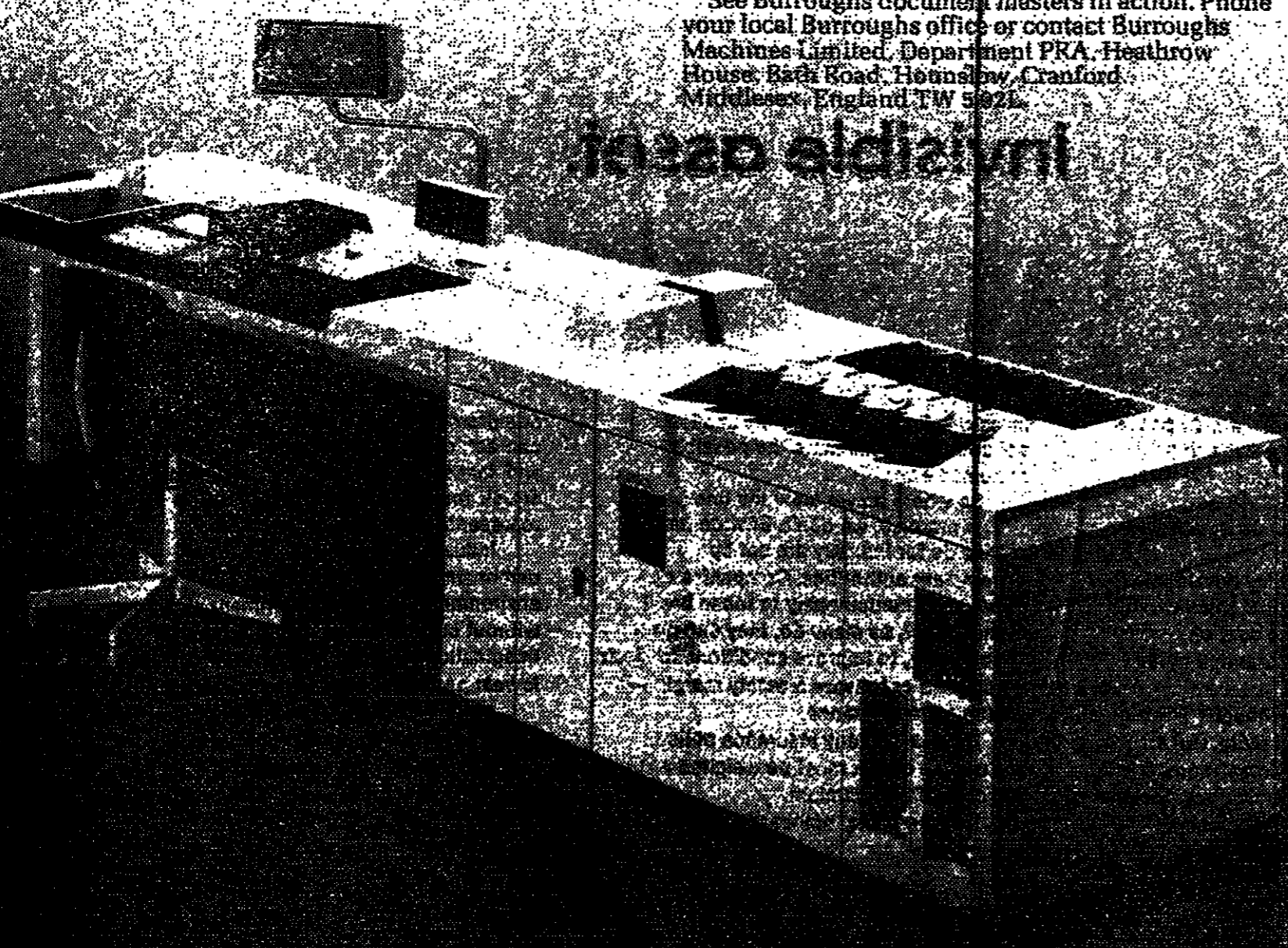
At present, there is still a long way to go in all these fields. In 1979, Korea's exporters of finished plastic products, worth \$450m, will rely on foreign supplies for 50 per cent of their materials, and Korea's manufacturers of chemical fibre for the still rapidly growing textile industry will depend on foreign suppliers for 70 per cent of their AM Monomer and all their TPA. Korea's determination to proceed towards self-sufficiency has been hardened in recent months by rapid increases in costs of some of its petrochemical imports and—even more serious for a country obsessed by the need to deliver on time—of shortages in some key areas.

The document master.

Burroughs newest document processing system changes the way you reduce the cost of handling cheques and remittance documents.

If you're handling a lot of documents, you know what a pain it is. Burroughs document masters can help. By reducing the number of documents, you eliminate reject reruns. It can read, sort, edit, endorse, sort, list, proof and microfilm cheques and OCR documents. All in a single pass through the system. Unreadable documents can be corrected during

the pass, eliminating reruns. And, data is captured for transmission to a central computer, avoiding further processing. The S 3000 is a modular system available with 4 to 36 pockets. And remember, when you buy a Burroughs system, you get more than just equipment. You get our 90 years experience in information management. Plus system software, application programs, training and system support—even the business forms and supplies you need. See Burroughs document masters in action. Phone your local Burroughs office or contact Burroughs Machines Limited, Department PKA, Heathrow House, Bath Road, Hounslow, Cranford, Middlesex, England TW 5 8ZL.



Burroughs

KOREA'S MAJOR PETROCHEMICAL COMPANIES

Company	Main product	Total sales	Net profit	Employees	Ownership
		(1977)	(1977)		
Korea Oil Corporation	Ethylene	180m	5.7m	203	50:50, Korea Development Bank, Gulf Oil
Korea Plastic Industry Corporation	Polyvinyl chloride	87m	2.7m	1,626	Independent
Korea Petrochemical Industries (KPI)	High density polyethylene, polypropylene	65m	4.1m	385	50:50 Marubeni, KPI
Korea Pacific Chemical Corporation	Low density polyethylene	58m	5.6m	585	50:50 Dow, Korea Pacific
Hankook Caprolactam Corporation	Caprolactam	57m	3.3m	489	Independent

Source: Ministry of Commerce and Industry.

NOTICE OF REDEMPTION

Monsanto International N.V.

8 1/2% Guaranteed Sinking Fund Debentures Due May 15, 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1970 under which the above described Debentures were issued, Citibank, N.A. (formerly First National City Bank), as Trustee, has drawn for redemption on May 15, 1979 through the operation of the Sinking Fund provided for in the said Indenture, \$1,400,000 principal amount of Debentures of the said issue.

The Debentures drawn for redemption, each in bearer form with coupons attached, and each of \$1,000 principal amount and bearing the prefix letter M, are:

- All Debentures bearing numbers ending in the digit 5, which lie in the range 00095 through 19965, inclusive.
- All Debentures bearing numbers ending in the digit 8, which lie in the range 00008 through 19998, inclusive.
- Those Debentures bearing numbers ending in the digit 2, which lie in the range 12902 through 19972, inclusive.

The Debentures specified above are to be redeemed for the said Sinking Fund at the WGC-Corporate Bond Services Department of the Trustee, 111 Wall Street—2nd Floor, New York, New York 10045, and the main offices of Citibank, N.A. in Amsterdam, Frankfurt/Main, London, Milan, Paris, Rome, or Citibank (Belgium) S.A., Brussels, or Citibank (Luxembourg) S.A., Luxembourg, as the Company's paying agents, and will become due and payable on May 15, 1979 at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date. Coupons due May 15, 1979 should be detached and presented for payment in the usual manner.

For MONSANTO INTERNATIONAL N.V.
By CITIBANK, N.A.
Trustee.

April 15, 1979

Handwritten note: J.P. 11.50

£45m plan for new rail freight wagons

BY ROY HODSON

A JOINT public sector and private sector committee will meet for the first time today to arrange a £45m financial programme for new railway freight wagons.

Bodies represented will include the British Steel Corporation, the British Independent Steel Producers Association, British Rail, and the British Scrap Federation. All accept that a new fleet of rail wagons is needed to transport scrap iron and steel. The old fleet is wearing out rapidly.

Each wagon will cost up to £20,000. The committee has first to agree to the new design. There are two competing proposals. The first is a 50-tonne capacity railway truck. The second is a rail bogey able to carry two containers each of 25 tonnes carrying capacity.

Supporters of the bogey system claim it will be more flexible and will enable the containers to be used to carry scrap by road transport as well as rail without additional handling costs.

The committee is likely to decide to recommend a combined fleet of the two types of wagon. The programme will need Government financing because none of the parties con-

cerned can guarantee substantial contributions. British Rail is saying that it does not have the necessary funds. British Steel Corporation, already heavily in debt, is unlikely to agree to allocate a major sum.

The scrap merchants are prepared, if necessary, to switch their business from rail to road although they have warned the Government that serious road congestion would result in the main scrap areas—South Wales, South Yorkshire and Scotland—if some 4m tonnes of scrap a year were to be sent by road.

Mr. John Wheatley, president of the British Scrap Federation, said yesterday that his federation was pleased that the committee had been set up to make recommendations. The federation hopes that the committee will report by October.

Shortage of wagons on the British Rail system has been getting more serious in recent weeks, according to the scrap merchants. The British Rail computer is being blamed for "losing" them. According to the BSF the computer does not seem to be differentiating between loaded wagons waiting for unloading and empty wagons.

Steel purchasers and the steel stockholders are expecting a general rise in steel prices of about 5 per cent in July or August. Demand for steel is rising slowly. There is less surplus production in Europe than there has been for three years.

British Steel is unlikely to make a general move to raise prices until it is certain that the market is strong enough to sustain higher prices. But its pricing executives are watching the situation closely. A straw in the wind is a notification by British Steel to stockholders and other customers of a 5 per cent increase from May 8 in the price of cold rolled stainless steel sheet and plate.

European producers have also raised their prices for that type of steel by a similar amount.

Mr. D. K. Rae, vice-chairman of the stainless steels product group of the National Association of Steel Stockholders, said last night that the increase would bring the price of cold rolled stainless steel sheet back to the level of early 1977 before steel prices were affected by the international crisis in steel demand.

The stockholders, who are holding their annual conference in Torquay this week, believe that further price rises in many forms of steel products are indicated for later this year.

Chrysler chief returns to America

By Kenneth Gooding, Motor Industry Correspondent

MR. GEORGE LACY, former managing director of Chrysler UK, has resigned from the board and has returned to Chrysler in the U.S.

In the United States he becomes the director responsible for Chrysler's emission control and fuel economy programme.

This is a major post because, like the other U.S. car companies, the group's major pre-occupation for some time to come will be how it can meet increasingly stringent emission and fuel economy regulations.

Mr. Lacy, 57, graduated as a chemical engineer and spent most of his early career with Chrysler in his native Canada. He took over as managing director of Chrysler UK in October 1976 at the time the UK Government's financial rescue plan for the company took effect.

Following the takeover of Chrysler Europe (including Chrysler UK) at the beginning of this year by the PSA Peugeot Citroen group of France, Mr. Lacy decided to stay with Chrysler U.S. but remained some months in Britain to assist in the smooth hand-over to Mr. George Turnbull, Chrysler UK's new chairman and chief executive.

£1.4m low-rent housing to attract skilled workers

BY ANDREW TAYLOR

A NOVEL solution to the problem of attracting skilled workers to areas of high-cost housing has been suggested in Poole, Dorset. Businessmen there have combined with the borough council to promote a £1.4m low-rent housing scheme to attract workers to the district.

A 103-dwelling estate has been developed in Poole by the West Country-based Knightstone Housing Association. Under the terms of the scheme most of the accommodation has gone to workers sponsored by local firms or the local authority.

The initiative for the Creekmoor Estate project came from Hanworthy Engineering, a subsidiary of Powell Duffryn, which claims to be Dorset's largest industrial concern, with about 3,000 workers.

Hanworthy, which makes a wide range of engineering products, including marine equipment and castings for the motor industry says: "We were faced with a major problem of trying to recruit skilled workers to Poole and found on investigation that public authorities and local businesses were facing similar difficulties."

"Recruitment of skilled labour is a major headache for large numbers of companies throughout the UK. But the problem is worse for firms seeking to attract workers to regions where housing costs are higher than in the industrial areas where these workers are being sought."

Hanworthy, in a bid to solve this problem, agreed with the borough council to sponsor the Creekmoor development through the Knightstone Housing Association. Dorset Chamber of Commerce was later called in to represent other firms in the area.

The scheme was made possible by the 1974 Housing Act which permits non-profit making housing associations, like Knightstone, to obtain Government grants and borrow public money to build "fair rent accommodation." Under the Act the housing corporation was set up as the sponsoring body and to oversee this voluntary housing movement.

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Scots aid will enable Maxim to expand

By Ray Perman, Scottish Correspondent

THE SCOTTISH Development Agency has invested nearly £500,000 in the Glasgow-based security alarm company Maxim Alarms.

It has bought a 48.9 per cent stake in the company from the Edinburgh group Thisle Industrial Holdings, which retains a similar share, and has advanced £125,000 on a 10-year secured loan. The remaining share capital is held by Mr. John Mitchell, the company's founder and managing director, and his wife.

Maxim makes in Glasgow electronic security alarms against intruders and fire for all types of building. It has branches in several British cities for installation and servicing and yesterday opened its first London office.

The company intends to use its extra capital to open two further London branches and a Midlands branch and to expand export sales. It has half the market for burglar alarms in Scotland and is the sixth largest UK company in the field.

Brokers fear tough year for economy

BY DAVID FREUD

THE WORLD ECONOMY will be faced with a hard uphill struggle over the next year, according to stockbrokers Wood, Mackenzie and Co.

In its latest circular the firm says there are three problems in particular that will lead to both deflationary and inflationary pressures.

These are the prospect of a severe slowdown in the U.S. economy in the second half of the year. Secondly, the sharp rise in oil prices which will push up inflation, lead to instability in financial markets and add to the financial problems of developing countries. And thirdly, the current trend towards fiscal and monetary austerity which may prevent the adoption of deflationary policies.

According to Wood, Mackenzie, these three factors will make it hard to avoid a major slowdown in world growth. At best, the firm expects real growth in the OECD area to decline from 3 per cent this year to only 2 per cent in 1980.

It adds: "If governments maintain restrictive fiscal and monetary policies, 1980 growth could be as low as 1 per cent." Such a poor performance will lead inevitably to rising unemployment and all its attendant social pressures, the firm warns.

Brokers L. Messel say in their latest circular that a Conservative victory in the UK would probably not have an immediate effect on economic prospects. However, a Tory Government could produce quite striking results over a two to three year period.

The impact of a new government would become noticeable in 1980-81 and increasingly so in later years. "Spending cuts announced in 1979 would begin to take effect and it would be realistic to expect the public sector borrowing requirement to decline to under £7bn."

In subsequent years the steady rise in the yield of petroleum revenue tax and corporation tax paid by North Sea oil companies could "revolutionise" Britain's financial position, according to the firm.

Combined with the cautious fiscal and monetary policies which the Conservatives have advocated, the oil revenue could make a PSBR of £5bn feasible in the 1982-83 financial year.

This size of PSBR would make it possible to hold money supply growth down to a little more than 3 per cent—making price stability a realistic objective by the mid-1980s.

Two other brokers—Laing and Cruickshank and Kemp-Gee—argue that sterling is likely to remain firm this year. Laing and Cruickshank says that pressure on the current account and on manufacturers' competitiveness would not be severe at a trade-weighted index of 67, and there is no reason on this basis why sterling should not recover its very recent losses after the election.

"The fundamental conclusion is that sterling will remain very firm this year, with a rise against the European currencies very likely. The pound could appreciate 4-5 per cent against the European Monetary System basket, while easing back against the dollar," it concludes.

Kemp-Gee says that if one accepts that the UK's energy balance is the best explanation for sterling's recent strength, then the prospects for continued exchange rate stability seem quite good.

If, in addition, fiscal policy is likely to be tightened at a time when the economy is slowing down—and we argue that this appears to be the policy of both political parties—then sterling could well remain in demand over the next 12 months," it states.

CONTRACTS Davy International wins £4½m Coal Board job

The National Coal Board South Nottingham area has awarded a £4½m contract to DAVY INTERNATIONAL processing engineering division for the upgrading of a coal preparation plant at Bentley Colliery. The contract covers the design, supply, installation and commissioning of a raw coal primary screening section, two washboxes, three centrifuges, a rotary filter and a computerised blending system. The project also includes an extension to the existing building with amenities and office accommodation.

An order worth nearly £1.1m for air-conditioning systems for Britain's new airliner, the British Aerospace BAe 146, has been placed with NORMALAIR-GARRETT of Yeovil, Somerset.

CLUGSTON CONSTRUCTION, Scarborough, has a contract worth about £750,000 from AMC Investments, Lincoln, for the construction of a superstore and other works on a site between Newlands and Brayford Wharf North, Lincoln. The work is expected to take about 15 months.

ESH TESTING is to install a high-rate servo-hydraulic testing machine in the Central Electricity Generating Board's research laboratories at Leatherhead.

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You can't actually see fresh air. Or peace and quiet, or water purity. But a decent environment is an asset which everyone values: an invisible asset.

And, like blank space in a newspaper, it comes at a price.

At Mobil's new refinery development on the Thames Estuary, that price will be around £12 million — the cost of equipment to curb air, water and noise pollution.

Is even £12 million enough? There'd be still less risk if we spent more. But as well as protecting the environment, companies have a responsibility to hold down the cost of their products. And no amount of

Invisible asset.

investment would completely abolish pollution — or eliminate the possibility of human error.

So where do we draw the line?

In practice, we don't. Environmental standards for industry are set by government authorities. Companies can either stick scrupulously to those basic standards or, as many do, they can go a little further, to improve conditions for their employees or to leave a safety margin — a little extra insurance.

But, as with any insurance policy, the degree of risk must be weighed against the cost of the premium.

Environmental standards are a delicate

compromise between what technology can achieve and what society can afford; and that's a balance which can only be struck for society through its elected representatives.

Industry's responsibility is to demonstrate a real concern for the environment; to meet government standards without cutting corners; and to use its imagination and skill to meet them at the lowest possible cost to the consumer.

Mobil's £12 million may seem a lot to pay for an invisible asset. But it meets public standards generously, at the lowest cost we can manage.

And that's money well spent.

Mobil

UK NEWS

Nuclear power 'the safest kind of energy'

BY DAVID FISLOCK AND ROY HODSON

NUCLEAR POWER is the safest way of producing energy, with the possible exception of natural gas, no matter how the statistics are analysed, Sir John Hill, chairman of the UK Atomic Energy Authority, told a symposium in Glasgow yesterday.

Scotland, Sir John said, survived a "melt-down" in its Chapelcross nuclear power station 15 years ago when a fuel channel melted. No one had been hurt.

It had taken well over a year to repair the reactor—one of four at Chapelcross—but today it was generating well above its original design figure.

Another Scottish station, the 300 MW Hunterston A plant, probably had the best long-term operating record of any commercial nuclear power station in the world, he said.

The development of nuclear power in Scotland had been "wholly in keeping with the best Scottish tradition of enterprise, ambition and making the very best out of the resources that are available."

It was disappointing, Sir John said, that such organisations as

the Scottish Campaign to Resist the Atomic Menace had attracted a significant following. They spent "endless hours marching under emtive banners," he said, and yet were "unwilling to sit down for a fraction of the time to study the facts dispassionately."

Three years of "quite substantial" research all round the world had produced most of the answers for wind, wave, tidal and solar energy as replacements for fossil fuels when they ran out. Such energy forms could be harnessed but the cost—except in the most unusual circumstances—was shown to be unacceptably high. Moreover, the size of structure required to catch a significant amount of a thinly dispersed energy created environmental difficulties greater than with conventional methods.

Britain should press ahead with nuclear power, but seek to make reactors "more and more foolproof," Sir Samuel Curran, principal and vice-chancellor of Strathclyde University, said the symposium.

With large-scale expansion of nuclear power "to really well-informed scientists and

engineers become comparatively thick on the ground and, candidly, that could mean reactors are in the hands of inadequately educated, informed, or experienced people."

Sir Francis Tombs, chairman of the Electricity Council, said that lack of determination could impede energy development and friction away the time required for orderly and purposeful development of substitutes for Britain's limited supplies of oil and gas.

Britain was in a strong position, with big reserves of coal, oil and gas. But that did not obviate the need to plan sensibly and manage energy resources effectively.

O Sir John Hill, the Government's chief nuclear adviser, is the first recipient of a new award by Foratom, representing 14 European nuclear nations, for his "outstanding contribution to the advancement of nuclear power in Europe." The award—a silver salver—is to be presented by Dr. Rudolf Guck, president of Foratom and a board member of the West German electrical utility Badenwerk at the Foratom Congress in Hamburg next week.



Proof that Talisman, the Stock Exchange's new computer settlement system, actually works. First settlement of securities by computer was completed at 8.30 yesterday morning to mark the first account day framed share certificates for five shares in Kalamazoo were presented to Mr. Crispin Gascoigne (second from left) chairman of the settlement services committee, and Mr. Robert Fell (second from right), chief executive of the Stock Exchange.

Aid for safety windscreen makers

BY RHYS DAVID, NORTHERN CORRESPONDENT

THE National Enterprise Board's North Eastern office in Newcastle-on-Tyne is to make its biggest investment yet in a Bishop Auckland company which hopes to embark into the market for curved safety-glass in motor vehicles.

The company, Therman, was started in 1974 by four Australian businessmen. It has since built up a turnover estimated to reach £3m this year from the sale of safety glass for domestic appliances, such as cookers, and for tractors and caravans.

The NEB finance, which will take the form of £350,000 in convertible preference shares and £350,000 medium-term loan, is being provided to enable Therman to exploit a new process, which, it claims, will give it a cost advantage over competitors in the production of curved windshields.

Total cost of new facilities which the company is planning, together with increased working capital requirements, are put at more than £1m, most of which will come from the NEB's investment.

The NEB's director in the North East, Mr. Gerald Connolly, said last night that the investment in Therman had been made on the basis of its remarkable record of profitable growth. The NEB was looking forward to assisting it in its future expansion.

Study of commuter patterns

PLANS TO hold a major study in 1981 of London travel patterns, including how people get to work, are likely to be approved by the Greater London Council this week.

The £1m study, London's third, will gather statistics on how Londoners' preferences of homes, jobs and means of transport affect overall travel patterns. Future public transport, road and traffic plans will be based on the results.

'Chanel' brand F. W. Woolworth and Co. gave an undertaking in the High Court yesterday to give seven days' notice of any intention to sell perfume products marked or marketed as "Chanel" which do not originate from Chanel Ltd.

Port's profit fall The Clyde Port Authority's pre-tax profit last year dropped by £300,000 against 1977's £2.2m, because of labour unrest and difficulties over its boating marina, according to the annual report published yesterday.

Police powers There should be a full investigation into telephone tapping and police use of listening devices, and a national code to regulate the rights of suspects and duties of police officers, the Law Society said yesterday in its second memorandum to the Royal Commission on Criminal Procedure.

Old site, new jobs A 100 Welsh steel workers have been recruited by the Bird group's demolition division to help demolish the British Steel Corporation's works at East Moor, Cardiff, the closure of which cost their former jobs.

Two-inch TV The Japanese Victor Company (JVC) has launched a two-inch black-and-white television, with radio tuner costing £185 to compete with the British-made Microvision from Sinclair the National Enterprise Board subsidiary, which sells a UK version for £112.

Savings bond offer The Treasury announced yesterday that a conversion offer will be made to holders of 81 per cent British Savings Bonds (first issue) purchased between March 2, 1974 and June 1, 1974, inclusive and maturing on September 1, 1979 at £103 per cent. Holders would be invited to exchange their holding then into 91 per cent British Savings Bonds (fourth conversion issue) repayable on application at £104 per cent on maturity.

Newspaper Society urges Press freedom charter

FINANCIAL TIMES REPORTER

THE next government should enact a charter to secure the freedom of the Press against the danger of closed shops, says the Newspaper Society in its annual report out yesterday.

The society, representing owners of provincial newspapers, has written to all the parliamentary candidates to warn them of the danger of the closed shop to the Press. It has collected examples of censorship of newspapers by politically motivated groups.

The report criticised members of the National Union of Journalists for trying to "hinder the free flow of news" during the seven-week provincial newspaper strike. It also expressed concern at the standard of young journalists coming into the profession. Their proficiency test examination results were "probably the worst on record."

Challenge to NEB in Lords today

Financial Times Reporter

GRUNDY of Teddington is to take his fight against the National Enterprise Board to the House of Lords today in an effort to prevent a joint venture with a U.S. company by the NEB for the manufacture of computer peripherals.

The joint venture has been agreed between the NEB's subsidiary Data Recording Instrument and the U.S. company, Control Data Corporation. It is planned to make and develop magnetic disc memory units in the UK for the European market.

The deal is being opposed by Grundy who founded Data Recording Instrument 25 years ago and still holds a 13 per cent stake in the company. Grundy failed to obtain a High Court injunction preventing the deal last week.

In Minneapolis the U.S. Control Data Corporation said yesterday that it was awaiting the outcome of the litigation. Unless prevented by the courts, CDC intends to go ahead with the deal which would give it 25 per cent of the joint venture in exchange for access to CDC's technical and marketing expertise.

ICL will reorganise plant in Manchester

BY RHYS DAVID

ICL's British big computer group, is to complete a major reorganisation of its activities in Manchester with the rebuilding of its West Gorton site.

The group, Europe's biggest supplier of computers, will be spending an estimated £5m-£10m on a new centre for the design and development of advanced computer technology and systems. Work on the project will begin this summer, if the necessary planning consents are obtained. It should be completed by late 1981.

More than 4,000 people are employed in Manchester by ICL, most of them at West Gorton, the company's base for manufacturing its large 2800 Series computers and a range of printed circuit boards.

The plans now laid before the local authorities involve demolition of the existing buildings on the West Gorton site, and their replacement by a new microsystems facility, a computer hall, laboratories, workshops, offices and a restaurant.

The National Trust's trustees said they expected offers in excess of £125m. It has been rumoured that there was Arab and Mormon interest in buying the three-mile-long island off Mull.

Iona, with only 85 inhabitants and 15 crofts, is being sold by the Duke's trustees to meet £550,000 in estate death duties. Surveyors acting for the

BOND DRAWINGS

REPUBLIC OF PORTUGAL

5% DOLLAR BONDS 1979/84

Notice is hereby given that, in accordance with the terms of the General Bond, 175 Bonds of \$1,000 have been purchased and surrendered for sale, in partial settlement of the instalment of the 5% Dollar Bonds due on June 1, 1979.

To consider the following Bonds have been drawn for repayment at par on the 1st June, 1979 from which date interest thereon will cease to accrue.

BONDS OF \$1,000

Table listing bond numbers and serial numbers for the Republic of Portugal 5% Dollar Bonds 1979/84.

North Sea bonus for BNOG

By Kevin Done

THE BRITISH NATIONAL Oil Corporation has confirmed additional oil reserves in block 30/173 in the central North-Sea.

More than 4,000 people are employed in Manchester by ICL, most of them at West Gorton, the company's base for manufacturing its large 2800 Series computers and a range of printed circuit boards.

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Bid for Scottish island rejected

THE NATIONAL TRUST'S trustees said they expected offers in excess of £125m. It has been rumoured that there was Arab and Mormon interest in buying the three-mile-long island off Mull.

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Farm machinery claim settled after 3½-month court hearing

A HIGH COURT action lasting three-and-a-half months in which one of Britain's biggest farmers sued a major engineering company over the supply of crop-drying machinery, ended yesterday when the parties reached an agreement on undisclosed terms.

The hearing, which began on January 16 before Mr. Justice McNeill, was held in the ballroom of the Piccadilly Hotel because there was no courtroom big enough to hold

the 40 people involved, including court staff, sound engineers and 12 counsel with more than 10,000 documents.

Mr. Frank Arden, of Glenworth, Gainsborough, Lincolnshire, and his company Nottinghamshire Crop Driers, of Misson, Bawtry, Lincolnshire, sought £10m damages from Ames Crosta Babcock, suppliers of the machinery, which was to convert grass into rations for livestock. It was alleged the machinery failed to do the job.

Yesterday, when counsel for Saint Piran gives pledge under protest

SAIN PIRAN, the mining and property development group, where dissident shareholders are battling for boardroom control, gave undertakings in the High Court yesterday to do "nothing out of the ordinary course of business" until the position of the directors is clarified.

Mr. Leslie Kosmin, for the dissident group, told the judge that the existing board were removed from office at the meeting and replaced by his clients. The action, he said, concerned the validity of certain proxy votes submitted on behalf of some of the defendants, foreign-based companies who have shares in Saint Piran.

Post Office Pension Fund to be headed by Sir Daniel Pettit

BY CHRISTINE MOIR

MR. ALFRED SINGER is to resign as chairman of the £3bn Post Office Pension Fund. The new chairman, as from July, will be Sir Daniel Pettit, who retired last year as chairman of the National Freight Corporation.

Mr. Singer, 54, explained yesterday that he had given six years' service to the public sector and now wants to devote himself to his other interests. Last week he was appointed vice-president of the Association of Certified Accountants. He is also a director of Dalgety, Linford, Guinness Mahon, Wholesale Vehicle Finance, and Equity Capital for Industry.

His self-imposed exile from the public sector is not, however, total. He will continue to be chairman of the computer sector working party of the NEDO, which is studying the implications of the new micro-processor technology.

Mr. Singer first entered the public sector in 1973 after a rare, Whitehall head-hunting exercise which induced him to leave the Tesco group where he was finance director, and take over the task of bringing the Giro into profit. He resigned the post prematurely in 1976 amid rumours of dissatisfaction with Post Office policy.

Sir Daniel Pettit, 64, spent 10 years with National Freight Corporation and for the second half of the period he was chairman of the NEDC committee of the distributive trades. He retired from both of these posts last year but is still currently a director of Lloyds Bank (UK Management) and the Birmingham and West Midlands regional board of Lloyds Bank.

As chairman of the Post Office Pension Fund (POSSFUND) he will be responsible for the investment policy of the largest of the pension funds with an annual net income of £350m.

Demand for private medicine 'growing'

BY ERIC SHORT

A DEMAND that politicians "open their eyes" to the "growing demand" for choice in health care was made yesterday by Mr. John Phillips, chairman of Private Patients Plan, the second largest medical insurance agency.

To help meet the growing demands for private beds to replace those being phased out of the NHS, Mr. David Lock, managing director of Private Patients Plan, announced a loan of £2m by the agency to Nuffield Nursing Homes Trust at a nominal rate of interest.

The trust, classified as a charity, has the largest chain of private hospitals in the UK, with 30 providing 1,000 beds. This loan, in addition to the agency's other commitments to the trust, is aimed at providing financial help in the development programme.

The trust is building a 34-bed hospital, the Cleveland Clinic, at Stockton-on-Tees at a cost of nearly £2m. It plans another in Derby. Modernisation and expansion of its hospitals is also being carried out. The agency has launched its latest medical insurance scheme, the Family Master Plan. In the first four months of this year it dealt with an extra 40,000 people, and nearly 500 companies took out health insurance schemes for their staff.

Honeyman book dispersal brings £129,505 more

SOTHEBY'S continued yesterday with its dispersal of the Honeyman collection of scientific books, a collection which it owns, having bought the volumes from Mr. Honeyman because he wanted cash immediately rather than to wait for a return from a series of sales spread over many years.

Yesterday brought in £129,505, with less than 1 per cent unsold, so Sotheby's has recouped £691,134 so far.

The highest price was the £15,000 from Quaritch for a first edition of Elements by Euclid, printed at Venice in 1482. Discovered by La Methode, by Descartes, another first edition, made £6,000. An Aid a first edition of Beschreibung by Ercker, sold to Brooke Hitching, a Colchester dealer. A Californian dealer acquired a second edition of Elements for £5,900.

An auction record price for a violin may be achieved tomorrow when Sotheby's sells a Stradivari that had belonged in turn to the great violinists, Fritz Kreisler and Bronislaw Huberman. It is the first comparable Strad to appear on the market since the Lady Blunt in 1971, which made £94,000, and the Greffuhle, which sold for £99,808 in New York in 1977. Huberman should at least top £100,000 and could well beat the

SALEROOM

BY ANTHONY THORNCROFT

record of £115,000 set in November, 1977, for a violin made by a contemporary of Stradivari, Joseph Guarneri del-Jesu. Christie's held the second day of its house sale at Dell Park House, Englefield Green, the home of the Schroder family. It totalled £68,362, with a top price of £3,000 for a William and Mary walnut and marquetry longcase clock. The two-day total is £315,998.

Advertisement for Beneficial Corporation, featuring a large sum of £5,000,000 and details of a seven-year currency exchange agreement.

Public notices section containing various legal and administrative announcements.

Handwritten note: *John D. ...*

Westland offers arbitration on pay

By Nick Garnett, Labour Staff

WESTLAND HELICOPTERS offered yesterday to take the pay dispute with its white-collar staff to independent arbitration.

The company made the offer at a meeting with union officials, but stressed that the arbitration must be binding on both sides. The unions are considering their response.

A thousand white-collar staff at the company's Yeovil plant, which has been bedevilled by pay disputes, struck last week.

The strikers, who include buyers, production control, and salary department staff, and security men have been picketing the plant.

This has resulted in some dislocation to the supply of materials, though the company says that so far it has not interfered with production.

The company has offered 12 per cent across-the-board with a further 1 per cent of the total wages bill to be used at Westland's discretion to sort out pay anomalies.

Package snags

Westland says this would give rises of 12 to 18 per cent, with payments varying from £6.40 to £10.17. The company's productivity-related bonus, providing increases of 5 per cent, would be continued.

The white-collar staff, members of the Association of Professional, Executive, Clerical and Computer Staff, and of ACTS, the white-collar section of the Transport and General Workers' Union, are understood to be unhappy about a number of aspects of the package, including certain conditions the company has attached.

These include a requirement that the deal run for 15 months from March, the current settlement date.

Westland has had a number of long-running disputes with its manual work force, largely over operation of piecework and productivity-related bonuses.

Christmas call

MEMBERS of the Union of Shop, Distributive and Allied Workers at its annual conference in Eastbourne yesterday passed a resolution calling for four consecutive days off next Christmas, inclusive from Sunday December 23 and Wednesday December 26, and for shops to close on December 21 and January 1.

Grassroots revolt against closure of union branches

By Alan Pike, Labour Correspondent

LEADERS of the Electrical and Plumbing Trades Union were yesterday told to take more account of members' views when closing and amalgamating branches.

Against executive advice, delegates to the union's conference in Brighton carried a motion from Cardiff which declared that the "wholesale policy of closure of branches and the spate of compulsory amalgamations that the executive council implemented recently in 1978 were not in the best interests of the members concerned."

The conference also defied the leadership to vote for a second motion affirming that branches should be managed by elected branch officials and that "where branches are being managed by full-time officers this should be considered a

temporary measure until a member is elected to the position."

However, a third motion opposed by the executive, which argued that the closure of some plumbers' lodges and transfer of their members to electrical branches was not in the interest of the union and should be reversed, was lost.

Mr. Billy Williams, from Cardiff, said it was a question of whether the union as a whole would benefit from branch amalgamation. Reasons for taking the action varied considerably and it was time the executive gave specific reasons why branches were closed.

Mr. Frank Chapple, general secretary, replied that since 1965 the union had been discussing the type of organisation which it ought to have. In 1973

and 1975 conference delegates had urged that steps should be taken to merge plumbing lodges and electrical branches where possible and the executive could be accused of having been slow in carrying out conference policy.

Mr. Chapple said later that the decisions of delegates would be considered by the executive. But the motion against branches being managed by full-time officials did not conform with the rules of the union confirmed by a rules revision conference in 1975. It would be "disastrous" if the union reversed its policy of improving its structure which had been in progress for 14 years.

In a debate on new technology, delegates called for the establishment of adequate re-training facilities to equip craftsmen with new techniques.

Whitehall pay deal seems near

By Philip Bassett, Labour Staff

CIVIL SERVICE unions are likely to reach agreement with the Government over pay before the General Election if the executive of the Society of Civil and Public Servants follows its officials' recommendations today and calls off the union's strike action.

Agreement on a pay deal of 9 per cent, with further staged rises for 600,000 white-collar civil servants, could be formally concluded today after the society's executive meeting.

All time Civil Service unions have agreed to the pay settlement, but the society, which represents 105,000 staff in executive and directing grades, decided to maintain its selective strike action until assurances were given that strikers' seniority would not be affected by the stoppage.

After a meeting with Sir Ian Bancroft, Head of the Home Civil Service, union officials on the staff side of the civil service National Whitley Council, including society officials, agreed to accept a formula setting up negotiations on the question of seniority. The formula makes it clear, though, that the unions will consider action if any strikers fall in promotions or suffer in any way through lack of seniority.

'Teachers' pay veto—caused by fears of galloping inflation'

By Michael Dixon, Education Correspondent

FEAR OF "galloping inflation" led the Government to veto reference of the schoolteachers' 36.5 per cent pay claim to the Comparability Commission, Mrs. Shirley Williams, Secretary for Education and Science, said yesterday.

The reference was vetoed on Friday because the terms agreed by unions and local education authorities in the Burnham Committee, required the Comparability Commission to base its recommendations on the favourable pay relativities set for teachers by the 1974 Houghton Report.

The suspension of talks until after the elections is causing schools to be disrupted in more than half of the 108 local authority areas of England and Wales.

It is estimated that 100,000 members of the National Union of Teachers have so far withdrawn from non-teaching duties, including lunchtime supervision. Today 85,000 members of the Assistant Masters and Mistresses Association have been told to walk out for the afternoon.

But Mrs. Williams said that a reference which tied the Comparability Commission's inquiry to the Houghton Relativities would have invited galloping

inflation. It would have set a precedent by which other workers could use the commission to "update" their pay on the basis of the most favourable position previously established for them.

She added that the Government's intention to use the veto had been known throughout the protracted negotiations to the two Department of Education representatives in the 27-member employers' panel of the Burnham Committee.

They must have made the intention known to their fellow panel members, even though the Burnham procedure does not allow the DES representatives to speak in the employers' negotiations with the unions' panel.

But Mr. Fred Jarvis, general secretary of the NUT, whose votes control the unions' side of the committee, said it had never been made clear during the negotiations that the Government had a right to veto the reference. He had understood that it was entirely up to the two panels of Burnham to agree in what terms the reference to the Comparability Commission should be made. As a result the unions had been "led up the garden path" for five weeks.

Walk-out may stop telephone billing

By Our Labour Staff

POST OFFICE clerical staff at the Harmondsworth computer centre, Middlesex, were called out on strike yesterday by the Civil and Public Services Association (CPSA) after two members refused to do work normally done by computer staff on strike over pay.

The CPSA at the centre would prevent the Post Office from introducing manual billing of telephone customers in London and the South-East.

The CPSA and the Society of Civil and Public Servants are taking strike action in selected areas over their separate pay claims of more than 20 per cent, though pay talks with the Post Office are expected today.

GLC to expand jobs schemes

GREATER LONDON Council's professional and general services committee approved a policy document which provides for extending existing apprenticeship schemes for the council's staff and for the introduction of new ones to train more skilled staff and offer more jobs for young people in London, the council said yesterday.

Tories 'would attack State boards'

By Our Labour Staff

IF THE Conservatives gain power, the main trade union struggle in the next few months would be to protect the nationalised industries, Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, said yesterday.

Speaking to a conference of the Institute of Personnel

Management in London, Mr. Jenkins said there seemed a determination among the Tories to dismantle nationalised corporations such as British Gas, British Aerospace and the British National Oil Corporation. This was "a fundamental misjudgment."

Baroness Seear, president of the institute, called on the next

Government to set up a pay body working for a long-term approach to income policy that would gain general support.

Union officials representing 23,000 scientific, managerial and clerical staff in British Aerospace said that Tory proposals to denationalise the industry would be "disastrous" for its future.

OBITUARY

Samuel Maddox

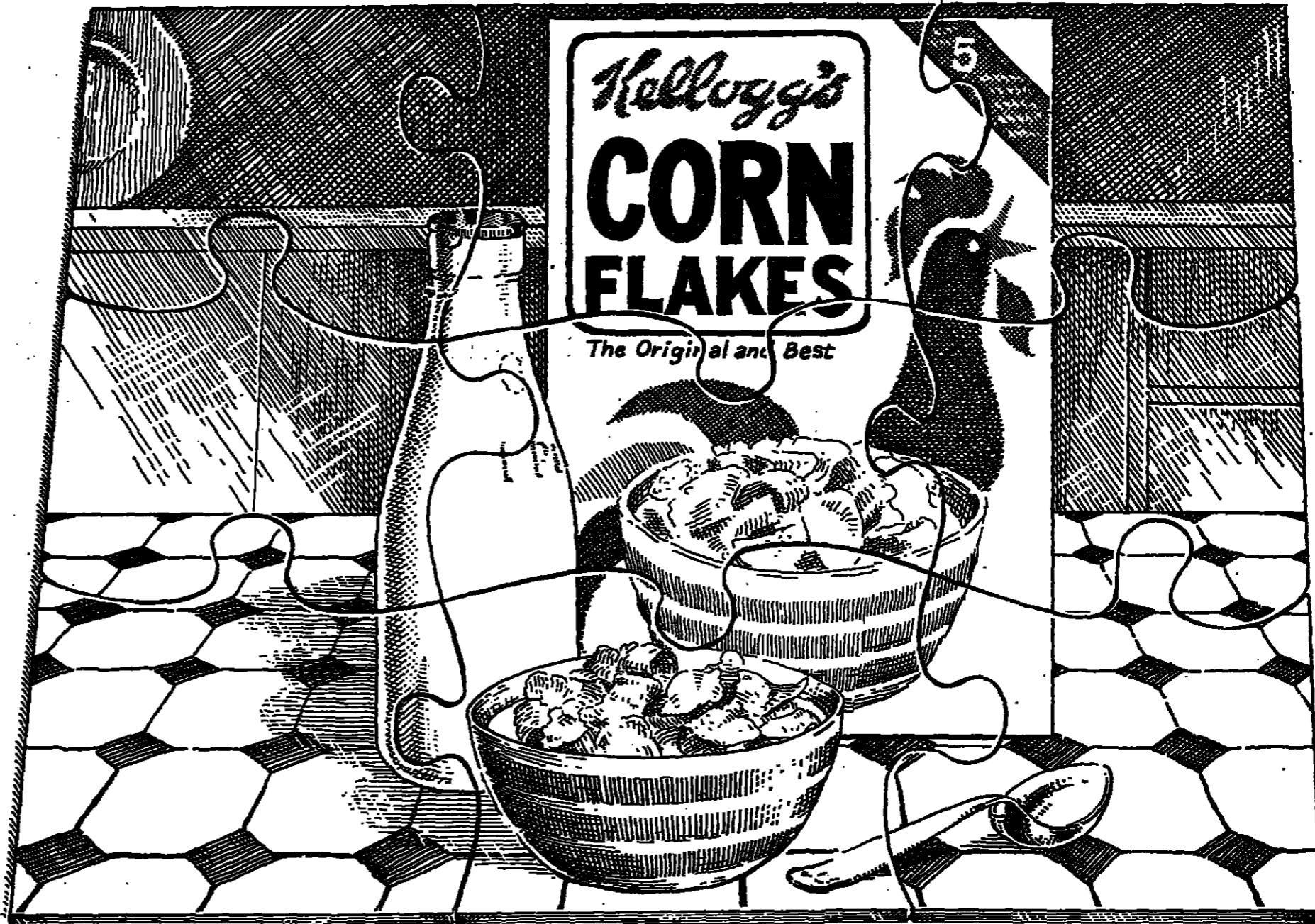
MR. SAMUEL MADDOX, general secretary of the Bakers' Food and Allied Workers' Union, who has died after collapsing at a London election rally, was dedicated to the task of improving recognition of the value of the bakery worker.

Mr. Maddox, who was 48, became general secretary of the 58,000-strong union in 1975. He believed that he was in touch with a mood of militancy which, he said, had been developing for several years among bakery workers.

In that spirit he had led stoppages that affected mainly the national bakeries over the past couple of years, aimed at demonstrating the union's new tough approach to pay and conditions of work.

Mr. Maddox started work as a dough mixer for Brook's bakery, Stoke-on-Trent. A Labour Party supporter for more than 20 years, he made no secret of his determination to harden the union's policy after the moderate leadership of Mr. Stanley Grettton.

You've been right all along.



You've probably been eating Kellogg's Corn Flakes, with milk ever since you were a child. You've been right. Nutritionally, the two fit naturally together.

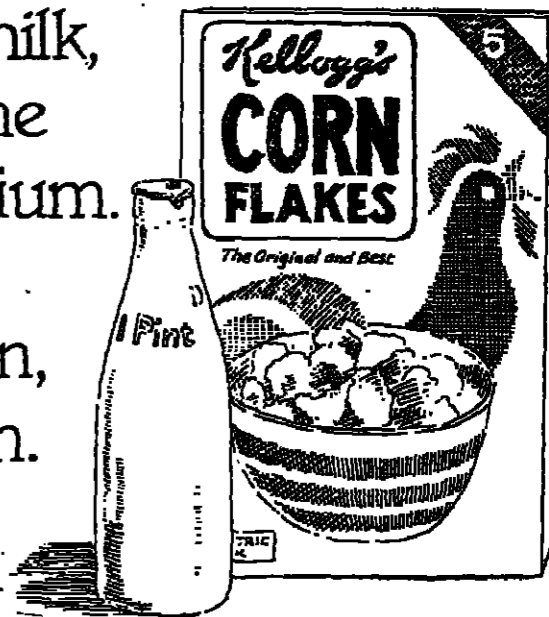
	CEREAL	MILK
Niacin	98%	2%
Iron	97%	3%
Vitamin D	96%	4%
Thiamin	92%	8%
Vitamin B6	92%	8%
Sodium	86%	14%
Carbohydrate	83%	17%
Riboflavin	69%	31%
Energy	60%	40%
Protein	41%	59%
Magnesium	24%	76%
Zinc	18%	82%
Fat	10%	90%
Calcium	1%	99%
Vitamin A	0%	100%
Vitamin C	0%	100%

On the chart you'll see some of the elements we all need to eat regularly.

You'll see that in a typical serving of Kellogg's Corn Flakes with milk, it's the milk that supplies the most calcium and magnesium.

But it's the cereal that provides virtually all the iron, and most of the vitamins. They both contribute protein.

And Kellogg's are the only corn flakes fortified with important nutrients.



Kellogg's CORN FLAKES
The best to you each morning.

NORTH ATLANTIC SECURITIES CORPORATION LIMITED

Interim Financial Statement for the six months ended 31st March, 1979

(Audited) Year ended 30th September 1978		(Unaudited) Six months ended 31st March 1979	Six months ended 31st March 1978
1,283,561	Gross revenue	571,057	532,830
405,895	Less: Expenses and Interest	188,234	188,683
877,666	Net revenue before taxation	382,823	344,147
312,776	Less: Taxation	146,090	123,116
564,890		236,733	221,031
536,022	Less: Interim Dividend	209,655	209,520
£28,868	NET REVENUE RETAINED	£27,078	£11,511
3.07p per share for the year	Dividend on Ordinary Shares payable 29th May, 1979	1.2p per share	1.2p per share

*Net Asset Value per Ordinary Share at end of period: 138 1/2p x.d. 118 1/2p x.d.
 *Net Asset Value per Ordinary Share assuming full conversion of Convertible Loan Stock: 132 1/2p x.d. 115p x.d.
 *The Net Asset Value includes the investment currency premium which at 31st March, 1979 was equivalent to 10 1/2p per Ordinary Share (31st March, 1978 — 16p per share, 30th September, 1978 — 16 1/2p per share).
 -No provision has been made for any liability to tax on capital gains which may arise in the future on realisation of investments.

VOLKSWAGEN INTERNATIONAL FINANCE N.V.

7 3/4% US-\$ Bonds of 1978/1985

Private Placement

Drawing of Bonds as per June 1, 1979

For the first redemption instalment due June 1, 1979 in the nominal amount of US-\$ 5,000,000.— a drawing by lot took place before a notary public, pursuant to § 3 of the Terms and Conditions of the Loan.

The Series G

with the numbers 6001 to 7000 (US-\$ 1,000 each) and 9401 to 9800 (US-\$ 10,000 each).

The drawn Bonds shall be redeemed at par from June 1, 1979 and shall cease to bear interest as per May 31, 1979.

The Bonds will be paid in the United States of America at

Commerzbank Aktiengesellschaft, New York Branch

and outside the United States of America at

Commerzbank Aktiengesellschaft and its branch offices.

Coupons as per June 1, 1980 and following are to be attached to the Bonds. The amount of missing unissued coupons will be deducted from the principal amount. The coupons per June 1, 1979 will be paid separately.

Amsterdam, April 1979

Volkswagen International Finance N.V.

Thatcher tells voters: 'Shun minor parties'

BY ELINOR GOODMAN, LOBBY STAFF

MRS. THATCHER ended her 3,000-mile tour of Britain's marginal constituencies with a thinly veiled appeal last night to the electorate not to throw away their votes by supporting minority parties.

Mrs. Thatcher made no reference to this particular poll in her speech, but said she was confident that Bolton East would return a Conservative.

Without mentioning Mr. Callaghan by name, she implied that his "carry on as we are" message was a recipe for disaster.

Vaizey joins Labour 'renegades'

LORD VAIZEY, the Labour economist made a peer in 1976, has joined Lords Chiffoot, Wilson of Langside and Roberts, in supporting a Conservative victory.

Lord Vaizey, 94-year-old Labour veteran, attacked these peers as "renegades" and said: "It makes me sick to read about them."

THE CAMPAIGN for Electoral Reform said that 87 Conservative candidates and 55 Labour had promised to support a Bill for proportional representation.

'Britain is in danger of total economic decline'

BY IVOR OWEN

BRITAIN IS in danger of plunging into absolute economic decline, Sir Keith Joseph, the Conservative industry spokesman, warned last night.

Should it be allowed to happen, he said, the annual round of wage discussions would be concerned with the level of cuts in earnings and not the size of increases.

ward lurch by the Labour Party or on the replacement of Mr. Callaghan by Mr. Anthony Wedgwood Benn.

Holding hard to Labour's traditions

By Christopher Parkes

INSIDE THE two 14-storey blocks of flats he visited yesterday morning, Mr. Eric Heffer and his canvassers found only half-a-dozen non-Labour voters in need of conversion.

"We don't need that in this house," said one woman, handing back a potted version of the Labour Party manifesto.

Contemplating the leaflet later, Mr. Heffer observed: "You could put on it 'vote for the Abolition of People and people like her would still vote Labour'."

No question. Faces beaming, in recognition at their rain-dragged MP, they chorused their support.

"He's the man who got my radiator fixed," vouched one pensioner. But "that woman" was the main focus of many voters' attention.

"I'll vote for you this time, but I'm really a Conservative."

"I don't think we're ready for Mrs. Thatcher. She's got some good ideas, and she's a very learned lady, but she's a bloody trout/emaker."

At only one door was he seriously questioned. A widow, living off her husband's oil-company pension, demanded to know why her income was taxed.

But the door-stopping MP has little time for lengthy debates. "I'm interested in me," she declared, certain that no one was interested in her.

"My husband always said, if a pig walked up the street and said it was Labour, he'd vote for it."

"But I'm confused. I've seen it all on the TV, now I'm confused."

That one was a Tory. Mr. Heffer declared, as he stumped off to see more easily accessible souls on the eleventh floor.

From there he went to a raggle-taggle meeting of the Liverpool Trades Council at the Pierhead.

A hundred or so leftovers from a 1,000-strong May Day march thinned slowly, as Mr. Heffer warned that, if the Tories got in, there would be 300,000 unemployed on Merseyside—never mind the 82,000 already out of jobs.

Smiles emerged again as the Heffer encourage took to the terraced streets with its loud-speaker van.

But there were also more sour faces in the doorways of these private houses. The amplified Heffer message was irregularly punctuated by the slamming of doors.

"Oh, God, it's Heffer," said a woman in curlers, throwing shut her front door.

"There's my feller," cried a housewife voter, bringing back the grins.

And just as the older generation had had the socialist legend dinned into them by their parents, so, too, are today's Liverpool youngsters getting the message early.

Two ten-year-old hardliners confided that they hated Mrs. Thatcher. They had been talking about her at school. "Too snobby," they charged.

"We don't have no milk at school, 'cause of 'er, and she wants to make us go to school on Saturday, and then she goes and closes poor old Dunlop down."

Callaghan 'humbug' attacked

BY IVOR OWEN

CHARGES OF humbug and hypocrisy were levelled at the Prime Minister yesterday by Lord Hailsham.

The former Lord Chancellor was making his first appearance of the election campaign at the Conservative Press conference.

He also condemned Mr. Callaghan's attack on Mr. Edward Heath in his speech at Chatham on Monday night.

Lord Hailsham, showing flashes of his old ebullience and sparkle, said he had been terribly shocked in the last two weeks by the "enormous amount" of humbug which the Prime Minister had been getting away with.

He had been speaking of the materialistic view of life, the law of the jungle, the weakest to the wall—all supposedly part of Tory philosophy.

The Prime Minister had also claimed that he was against privilege.

But, Lord Hailsham pointed out, the gravediggers did stop burying the dead, school has been shut because caretakers had walked out, and operations on cancer patients had been delayed because people would not do the laundry or sweep the floors.

Lord Hailsham claimed that "the whole shambles" had been orchestrated by the legislation on industrial relations in the last 10 years.

Reflecting on Labour's conduct of the election campaign, he concluded that the possibilities of human self deception were "almost limitless."

Mr. Patrick Jenkin, the Conservative social services spokesman, repudiated Labour "lies" that a Conservative Government would cut retirement pensions and end pensioners' Christmas bonus.

He renewed the Tory pledge to maintain the pensioners' living standards by increasing the level of benefits to match increases in the cost of living.

Mr. Jenkin refused to match Labour's undertaking to keep pension levels in line with the annual rise in prices or earnings, whichever proved to be higher.

Mrs. Margaret Thatcher denied that her objectives included a 5 per cent cut "across the board" in all Government expenditure.

Mr. David Steel, the Liberal leader, will make no dramatic weekend dash from his Scottish constituency to London to cobble together a new short-term political pact if tomorrow's general election results in neither of the main parties securing an overall majority.

He declared yesterday that if faced with such a situation he will call for an agreed programme to provide stable Government for five years in which priority is accorded to the introduction of proportional representation.

Mr. Steel, reflecting the buoyancy shown by recent opinion polls in registering rising Liberal support, repeated his forecast that the new House of Commons will contain at least 20 Liberal MPs, possibly up to 50.

The latest polls, he said, showed that the Liberals were on the right course for a "people's parliament," ideally one in which the Liberals held the balance of power.

Mr. Steel was adamant that neither Mr. Callaghan nor Mrs. Thatcher must be allowed to seize the political initiative with a new minority Government capable of generating a wave of popularity that enabled it to secure a majority in a few months' time.

Therefore, he argued, the post-poll talks, if the election proved again that neither Tory nor Labour had a majority in the country, should be conducted on a three-way basis.

YESTERDAY'S issue quoted from a news agency report that Heathrow airport workers are being urged in their newspapers—edited by Mr. David Wetzel, Labour candidate for Twickenham—to vote Labour an then "kick out" Mr. Callaghan.

Mr. Callaghan, Mr. Wetzel asks us to point out that he was also quoted in the agency report as saying that because of election commitments he had not been involved in the current edition. Any airport worker could express his opinion in the paper, but Mr. Wetzel said he "disagreed with the view expressed about Mr. Callaghan."

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Mr. Callaghan, Mr. Wetzel asks us to point out that he was also quoted in the agency report as saying that because of election commitments he had not been involved in the current edition. Any airport worker could express his opinion in the paper, but Mr. Wetzel said he "disagreed with the view expressed about Mr. Callaghan."

NEW hereditary peerages may be created if Mrs. Margaret Thatcher becomes Prime Minister. She told the Conservative Press Conference yesterday that she would be prepared to consider recommending the Queen to confer hereditary titles for "absolutely exceptional people."

YESTERDAY'S issue quoted from a news agency report that Heathrow airport workers are being urged in their newspapers—edited by Mr. David Wetzel, Labour candidate for Twickenham—to vote Labour an then "kick out" Mr. Callaghan.

Molyneux calls for internment

BY STEWART DALBY

MR. JAMES MOLYNEUX, Parliamentary leader of the Official Unionists, indicated yesterday that he was in favour of a restoration of internment—albeit on a selective basis.

At a Press conference winding up the main Unionist party's election campaign, he said that "executive detention" should be used on a limited and selective basis and introduced without delay.

Asked whether "executive detention" meant "internment"—otherwise known as indefinite detention without trial—he

admitted that it did.

He also claimed that the Conservative Government would have actively considered the idea if Mr. Airey Neave, "shadow" Northern Ireland spokesman, had not been assassinated.

Internment was abolished in December, 1975.

Mr. Molyneux, Official Unionist member for South Antrim, said he favoured the rounding up of known "godfathers." He then added that executive detention "is something" Mr. Neave said he would

consider.

Molyneux thus joins the growing band of voices urging the next Northern Ireland Secretary to introduce some form of internment.

It is being widely reported, particularly in the Republican press in Belfast, that senior security forces officers have urged the outgoing secretary, Mr. Rt. Mason, to advise his successor to introduce some form of limited internment.

Mr. Mason has declined to say whether he has been under pressure to give such advice.

No one could complain that voters here regard the election as a plebiscite and ignore the personalities of the candidates.

But the other side of the picture is that they judge their MP, however sincerely and passionately he speaks on subjects such as industrial relations, as an ombudsman rather than as a contributor to the national political debate.

Crossing the Fowey River into the Bodmin constituency is to re-enter a more familiar world. The constituency extends from the Plymouth catchment

area at Torpoint to the fishing and tourist area ports such as Polperro, and inland through the agricultural areas, and ending at Jamaica Inn on Bodmin Moor.

The presence of overspill housing estates from London as well as Plymouth prevent this from being a safe Tory seat. Indeed, Mr. Paul Tyler won it for the Liberals in February, 1974, by nine votes, only to lose by 665 votes to the Conservatives' Robert Hicks in October of that year, in accordance with the national swing away from his party.

Maybe if Mr. Tyler had managed to hang on to the seat, a Lib-Lab vote vote have consolidated behind him, as had

Polls show voters' return to Labour

BY OUR LOBBY STAFF

VOTERS in Bolton East, the constituency that since the end of the Second World War has always voted on the winning side, are swinging back to Labour.

A poll carried out at the end of last week for Granada Television shows that the Tory lead has dropped from 9 per cent to 2 per cent since the election campaign began.

There was more good news for Labour in Wales, where a

BBC opinion poll, published last night, tipped Labour to win two prize constituencies, Carmarthen and Pembroke, and easily to hold Brecon and Radnor.

Carmarthen is being defended by Mr. Gwynfor Evans, Plaid Cymru's president. The poll gave him 23.6 per cent, compared with Labour's 36.7 per cent and the Conservatives' 28.2.

Mr. Nicholas Edwards, Tory Shadow Secretary for Wales, defending a 772 majority in Pembroke, looked in danger, with

45.2 per cent against the Labour candidate's 46.3 per cent.

There was a swing to the Tories in Cardigan, but not enough to dislodge the Liberals, leading with 33.6 per cent.

In London, a Marplan poll for Capital Radio, the independent radio station, gave the Tories a 25 per cent lead over Labour in outer London boroughs but a 1 per cent Labour lead over the Tories in inner London boroughs north of the river.

The real issues in the seats whose resemblance is purely superficial

BY SAMUEL BRITAIN

BODMIN October 1974 election: Robert Hicks (C) 20,736; Paul Tyler (L) 20,091; Peter Knight (Lab), 4,814. Majority 665.

1979 candidates: Nigel Knowles (Lab); Robert Hicks (C); Paul Tyler (L); M. Carter (NF); C. Retallick (Ecology); Roger Holmes (Mebayon Kernow).

TRURO October 1974 election: David Penhaligon (L), 22,549; Piers Dixon (C), 22,085; Frank Long (Lab), 11,666; Dr. J. C. A. Whalley (Mebayon Kernow) 384. Majority 464.

1979 candidates: Bruce Tilly (Lab); Mrs. Rosemary Brown (C); David Penhaligon (L); N. F. Hodger (NF); Dr. J. C. A. Whalley (Mebayon Nationalist).

Tomorrow: Richmond. The second of two articles on the Liberal and Conservative marginals in Cornwall and Devon.

TRURO AND Bodmin may look very similar on the map. But a political visitor soon realises that they are poles apart.

To begin with, the label "Truro" is misleading. The cathedral city and local government centre of that name is at the western end of the constituency. The St Austell district is the more important economic area. It is the centre of the English china clay industry and is dominated by the company of that name.

The ghettos, which appear in the morning mist as snow-covered hills, turn out to be man-made mounds of clay waste. Most of the clay is used for ceramics but as a filter for surface coating in the paper-making industry.

South-west Cornwall, unlike the eastern part of the county, does have some tradition of

voting Labour. The party won a seat covering much of the present area in 1945 and as recently as 1966 came within 1,000 votes of doing so again.

But since then, the local Labour Party has, like the local Conservatives, passed through a time of dissensions.

Mr. Bruce Tilly, a young ex-Liberal journalist with strong anti-EEC views was probably appointed to recently to prevent a further crumbling of the Labour vote. The 11,666 votes polled by Labour last time are a rich field for picking for Mr. David Penhaligon, the Liberal defender. In 1974 he ran counter to the national trend by winning the seat for the Liberals in the October election from the Conservative Piers Dixon with a majority of 464.

Since then he has built up a cult as a kind of Cornish Cyril Smith. He glories in—and exaggerates—his Cornish accent which he uses to give a working-class impression that belies his middle-class and independent-school background. Off the platform he would be less likely to say: "Don't make no mistake, tidden goyne to be easy."

The population is divided about half and half between Cornish and immigrants, between whom not too much love is lost. But although Mr. Penhaligon has been prepared to lose a few Truro city votes to consolidate his hold on the china clay workers, he points out to traditional middle-class Liberals that he was never keen on the Lib-Lab pact, and that without the "no confidence" vote of the Liberal MPs there would be no general election this week.

A Penhaligon meeting at Fowey village school was attended by about 70 people, nearly all already converted. As they

were leaving, I heard remarks such as, "Did you enjoy it?" "Terrific; I ought to go on the stage."

But the liberal defender is sensitive to be charged that he is a glorified parish councillor, and most of his speech was devoted to national issues.

His examples of waste in public spending had his audience rolling in the aisles. If television attacks on the Government on the issue could be put over in a similar way it is difficult to believe that his official Opposition would have been put so much on the defensive.

The Conservative challenger, the highly articulate Mrs. Rosemary Brown, has a good record for fighting local issues, which many sitting MPs would envy. She has worked hard to persuade INMOS, the micro-electronics company, to come to Cornwall, and is prepared to disagree with Mrs. Thatcher on the role of the National Enterprise Board.

Her special knowledge of small companies, which she wrote a book with her husband, Peter, should stand her in good stead in a place where new employment prospects depend so heavily on such enterprises.

Her accounts of businesses which could take on more labour, but "don't" are too detailed to be dismissed as propaganda. She is also highly energetic on the doorstep, not losing a minute and out-distancing on her high-heeled boots all her helpers of either sex.

But her very intensity might tell against her in a area where there is still a prejudice against women candidates and party leaders, and against people from "up-country" (i.e. England east of the Tamar, which separates Cornwall from Devon).

happened to other Liberals.

Mr. Tyler and Mr. Hicks are youngish men who have local origins, without being stage Cornishmen. They have many other things in common: amazing ability to remember the names of a large portion of people in the streets of market towns.

"Are you from the other side?" is not a political intrusion but a reference in East Loze to West Loze. (In the 18th century it was said that the Tories were "rotten" than East Loze, and that was its western counterpart.)

Conservative and Liberal candidates believe in things such as "moderation" and "incomes policy." Personally they get on well. Although they are both "good candidates" no one could pretend that the election here is a personal duel.

In Bodmin the national debate predominates. Nevertheless, Truro and Bodmin have in common the fact that a Labour rather than a Liberal vote is "wasted." The best investment the Conservatives could make would be improving the Labour organisation, which in both places remains in what Sir Harold Wilson castigated as "the penny-farthing stage."

Moreover, Labour's candidate in Bodmin, Mr. Nigel Knowles, an education officer with the General Federation of Trade Unions, makes no bones about being an out-and-out foe of capitalism and all its works.

He is far more engaging to meet than one would suppose from reading that "The Iron Maiden believes in unlimited hostility towards the working people of Britain and other countries."



fundamentalism seems to puzzle even Labour-sympathising pensioners on the housing estate who grumble about strikes and people living on social security. I wondered if some of them had the faintest idea what he was talking about when he fulminated against any "tactical voting" with the Liberals.

Nevertheless there are nearly 7,000 new voters who have moved into Bodmin and who have no tradition of voting Liberal, tactically or otherwise. The Conservative calculation is that they will divide two-to-one in the Conservatives' favour may not be all that far out: and an informed local view is that Mr. Hicks may even slightly increase his majority.

In spite of because of its nearness to Plymouth, the Mebyon Kernow (Soos of Cornwall) candidate, the popular Mr. Roger Holmes, would not surprise anyone if he pulled more than 1,000 votes. A few years ago he was the first MK mayor of Liskeard.

Mr. Holmes may be an example of a worthwhile unorthodox candidate. But the proliferation of frivolous and fringe candidates is one of the many examples of the bad effect of the non-indexation of the fiscal and local system. It has meant a catastrophic drop in the real value of the Parliamentary deposit.

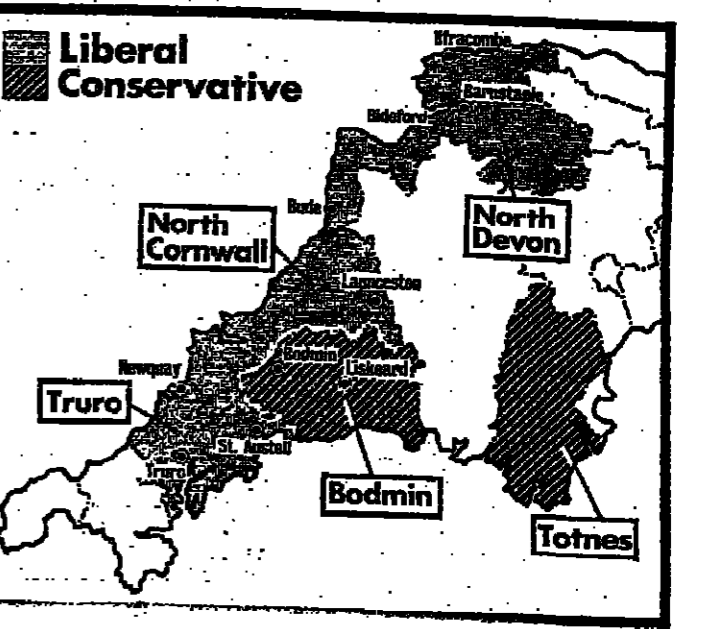
Against all the slightly adverse population and other movements in Bodmin must be put the impact the Liberals have been making in the national debate. Candidates who wrote the party off overlooked: (a) the Liberal gain from the sheer volume of television exposure which they only get at election time; and (b)

how much Mr. David Steel's condemnation of the "two-party slanging match" fits in with the doormat mood, even of confirmed Conservative and Labour voters, as a long campaign nears its end.

One of the lessons of an on-the-spot visit to the West Country is that the seats that are most marginal on paper are not necessarily the ones that look most marginal on the ground. As no money of my own is at stake, I will venture one or two predictions.

The Liberals will lose one of their present three seats, but that will be either North Devon or North Cornwall, rather than Truro. There might just conceivably be one offsetting Liberal gain in this part of the world; but the best bet, according to the bush telegraph, is not Bodmin but Totnes, in Devon, which is not, on paper, a marginal at all.

David Penhaligon



Handwritten signature or mark at the bottom of the page.

John Major 1950

Last lap of marathon finds Tories 'out of puff'

BY JOHN HUNT

THE PRIME MINISTER entered the final lap of the election campaign in a cheerful and confident mood yesterday with the observation that "the Conservatives ran out of puff some days ago."

Answering questions at his Press conference, he maintained that the length of the campaign had worked in Labour's favour.

It had been a "long-distance race" giving them time to convince the electorate that the Conservatives had made "a big mistake" in pretending that they could cut income tax without paying for it in other ways.

It was the last of the campaign Press conferences to be held in Transport House. For the occasion, on

May Day, a full team was fielded, comprising Mrs Shirley Williams, Education Secretary, Mr Roy Hattersley, Prices Secretary, and Mr Peter Shore, Environment Secretary.

All the Ministers seemed in an extremely buoyant mood after the publication of the latest NOP poll in the Daily Mail, showing Labour ahead of the Tories for the first time, if only by 0.7 per cent.

Nevertheless, Mr Callaghan took a cautious view of the NOP results. He declared: "The polls are beginning to catch up with what I have always said public opinion was. No doubt they will get it right one day."

The questions were punctuated by constant badinage

between Mr Callaghan and Mr Hattersley. At one stage the Prices Secretary hinted that he would like a move to another department if Labour was returned.

"Paymaster General for you," chortled the Prime Minister.

A journalist asked what his plans would be if Labour lost the election. "Such a thing is totally unthinkable," came the reply.

The Tories, Mr Callaghan said, had reckoned on a quick sprint to the polls. They had tried to make it a case of "vote in haste, repent in anger."

It was not good house-keeping to propose that 2p should be knocked off income tax if 4p was to be put on

something else. He promised, however, that a Labour Chancellor would cut income tax "as and when it could be done."

"We are not offering a miracle," he added. "There are no miracles to be had in this world."

The indications that the Tories would increase VAT to 12.5 per cent would add another 2.35 per cent to the Retail Price Index, he went on.

If they reduced the National Enterprise Board to a "casualty clearing station" and BL collapsed as a result, it would mean the loss of 160,000 jobs directly and a further 500,000 dependent jobs. A further 500,000 would become unemployed through

cuts in employment and training schemes.

You could not make the kind of public expenditure cuts the Tories were planning by cutting candle ends. You would have to cut deeply into the services people demanded.

Backing him up, Mr Hattersley listed price increases which, he alleged, would result from Tory plans to increase value-added tax to 12.5 per cent.

A cooker costing £150 would go up by £6.25, an average family car by £125, a £15 pair of shoes by 63p and a £350 suite of furniture by £15.

Tory policy on the ERG, he claimed, would put 12p on a pound of butter, 11p on a pound of cheese, 3p on a kilo of sugar and 11p on a loaf.

Government lost vote retrieved, unions say

BY CHRISTIAN TYLER, LABOUR EDITOR

TRADE UNION leaders asserted yesterday that the Labour vote was being retrieved among trade unionists and non-unionists alike.

Their travels round the country told them that the latest opinion poll, giving Labour a lead for the first time in the campaign, was borne out in public meetings they had addressed.

antagonised voters, who were primarily interested in jobs and prices.

He described the Prime Minister's claim that Conservative policies would mean "possibly an underestimate."

Mr Ray Buckton, of ASLEF, the train drivers' union, said that the issue of trade union power, on which Mrs Thatcher has campaigned hard, had confronted him during his tour.

and to plan the introduction of new technology.

On wages he was less explicit. But he said that the TUC had for the first time set down criteria for wage bargaining, giving attention to the price and productivity effects of bargains.

The "annual economic assessment" promised by the concordat would ensure that negotiators understood the economic climate against which they were bargaining.

Mr Bill Keys, of the print union SOGAT, forecast that Britain would be doomed as an industrial nation and become a banana republic if Labour's industrial strategy was halted.

Optimism

Union leaders went into the election campaign afraid that the winter's strikes, particularly that of the lorry drivers and the disruption of hospitals, would reinforce the Labour abstention and that union activists would fail to turn out in order to punish the Government for its 5 per cent incomes policy.

However, he maintained that voters accepted that the trade unions were democratic organisations not lightly interfered with.

Responsibilities

Mr. Bassett declared that the Tories' attempt to divide trade unions from the rest of the country had failed. The 12m members of TUC-affiliated unions were part of society, not outside it.

The choice tomorrow was still between a framework of co-operation that had worked and would work again, and a party intent on confrontation.

Asked about the implications of the TUC-Labour concordat for wage bargaining in the next round, Mr. Bassett confessed that a new Labour Government would not be "a soft option."

Last night Mr. Len Murray, TUC general secretary, said it had always been trade unionists, not politicians, who established workers' "basic rights." However, he coupled it with a call to unionists to take others into account when choosing their action.

"The Three Rs of trade unionism which we should never forget are: trade unions are representative, trade unions have rights, trade unions must accept their responsibilities."

Bailey accuses Steel

BY ROBIN REEVES

MR. DAVID STEEL, Liberal leader, was accused yesterday of wanting to protect Mr Callaghan against defeat in his Cardiff South-east constituency.

Mr Christopher Bailey, head of Bristol Channel Shiprepairers, expelled from the party last week for forging a Lib-Cons pact in the constituency, says in an open letter to Mr Steel: "You, yourself, made a pact with Labour against the wishes of many of your colleagues and supporters."

"Are you, by my attempted expulsion, merely trying to avoid embarrassment for your friend, Jim Callaghan? I suppose you hope to avoid his

defeat — perhaps because you favour Labour ahead of the Conservatives."

Mr Bailey emphasised that his motive in standing down had been essentially to highlight the Liberal cause of proportional representation.

"If the Prime Minister is defeated, then Labour will suffer a crushing blow and we will be a step forward towards obtaining proportional representation. If I had agreed to stand, probably I would have increased the Liberal vote and come second, but how would that have benefited the country, advanced PR, or, most important, benefited the voters of Cardiff, South-East?"

Builders seek clarification

THE LABOUR Party should state whether it intends to nationalise the construction industry, Mr Bill Lindesell, chairman of the contractors section of the National Federation of Building Trades Employers, says.

He found significance in Labour's failure to explain the precise meaning of references to the construction industry in its manifesto.

The construction industry be-

The rival Budgets assessed

Parties' finance plans look alike

BY PETER RIDDELL

FAR MORE is known about the likely shape of a Conservative or Labour Budget than is suggested by the claims and counter-claims of the past three weeks. The possible Budgets are also more similar than either party would like to admit.

Mr Denis Healey, the Chancellor, and Sir Geoffrey Howe, Tory economics spokesman, have been reluctant to go into details of possible measures.

Mr Healey, who finished writing a 50-minute speech on the eve of the Commons no confidence vote, pleads pre-Budget purdah. Sir Geoffrey says the Tories would need to see the Treasury books before deciding on their Budget.

Government places much faith in cash limits. Those imply a tight squeeze on goods and services bought-in from the private sector. Although the assumptions on pay allow for some loopholes, the limits imply a 2 per cent squeeze on manpower costs.

In addition, the supply estimates published on April 3 suggest that the Government was intending to announce further cutbacks in spending below the levels planned in last January's expenditure White Paper. The total provision in the supply estimates was £559m less than that planned in January on the same price basis.

The key constraint on Budgetary measures is the level of public sector borrowing. Mr Healey has committed a Labour government to a ceiling of £8.5bn, while the Tories believe that the figure should be lower, by an unspecified amount. Within these constraints, the debate is about the balance of taxes and spending.

The Government has not yet published an estimate of borrowing for 1979-80 on present policies. However, several leading City analysts have estimated that borrowing would be about £10bn in 1979-80 after taking account of the increase in income-tax allowances in proportion to inflation announced in the April 3 caretaker Budget.

No explanation has been offered. The main differences are in the trade, industry, energy and employment budget: £225m less than previously planned. That might in part be explained by the announced £200m transfer of export credit refinancing from the Government to the Trustee Savings Bank.

Government lending to the nationalised industries is also now estimated to be £283m less than in January. Those are all largely financial transactions, some within the public sector itself, with no automatic impact on spending programmes.

The figures are subject to a large margin of error because of uncertainty about the relative growth of public and private-sector wages. In particular there are doubts about the size of pay rises awarded as a result of the public-sector comparability studies.

Mr Healey has said that his Budget would take 1m out of the income tax net. That indicates that a Labour Budget would increase the personal allowances by more than was announced on April 3, at a probable extra cost of between £50m and £60m.

In addition, Labour has promised to increase child benefits from £4 to £4.50 a week from November.

There is also a suspicion that the Government was intending to freeze part of the £800m contingency reserve for additional spending in 1979-80. That might have left only a small margin for unforeseen items.

The Conservatives have merely said that they want to make a start in an early budget on their phased programme of reducing basic and higher rates of income tax. They have said that that will be financed through higher indirect taxes, notably Value-Added Tax, and savings in public spending.

Mr Nigel Lawson, a Tory economics spokesman, has talked of cutting back public expenditure to the same real level as in 1977-78. That was just over £4bn less than that planned for 1979-80 after allowing for once-and-for-all items and shortfall. But such a reduction is expected to take several years to implement.

Mr Healey said that would be paid for by tightening control over the public sector, partly by raising indirect taxes and partly by increasing taxes on companies "in ways that do not affect jobs."

Mr Healey has repeatedly refused to provide elucidation. The most likely measure is an increase in the excise duties on alcohol, tobacco and petrol in proportion to inflation.

It is not clear which company tax would fall to affect jobs. But Mr Healey has always argued that increases in the employers' national insurance surcharge have been followed by falling, not rising unemployment. That is strongly contested by much of industry.

On public spending, the

The rest is unclear, but, contrary to Labour arguments, there is no reason to believe that the whole burden of any tax cuts would fall on higher VAT.

Admittedly, any trimming of spending programmes would not begin to bite until 1980-81, but a new Tory administration might build on the Labour cash limits squeeze: a war on waste by another name.

There may also be more scope for financial adjustments and the Treasury no doubt has other ideas in addition to those advanced by Labour. Any early Tory budget would inevitably be fairly simple, with more complicated changes left until later years.

Labour 'will resist extremists'

Mr Harold Lever the Prime Minister's economic adviser, yesterday scorned the idea of extremists taking over the Labour Party.

He said in Manchester: "I reject the notion that Jim Callaghan, Denis Healey, Stan Orme, the Social Security Minister, Joel Barnett, Chief Secretary to the Treasury, or myself, are a kind of window dressing to be pushed aside after the election in favour of extremists of some kind."

"Broadly speaking, people who think that are saying that after we have been elected there will be a quiet funeral of

all the people addicted to democratic socialism in favour of some minority group of militant Left-wingers.

"The first requirement would be a willing corpse, but there is no sign of any of the gentlemen I have mentioned being likely to play that role."

"Therefore I am satisfied we have the best resistance to all forms of extremism."

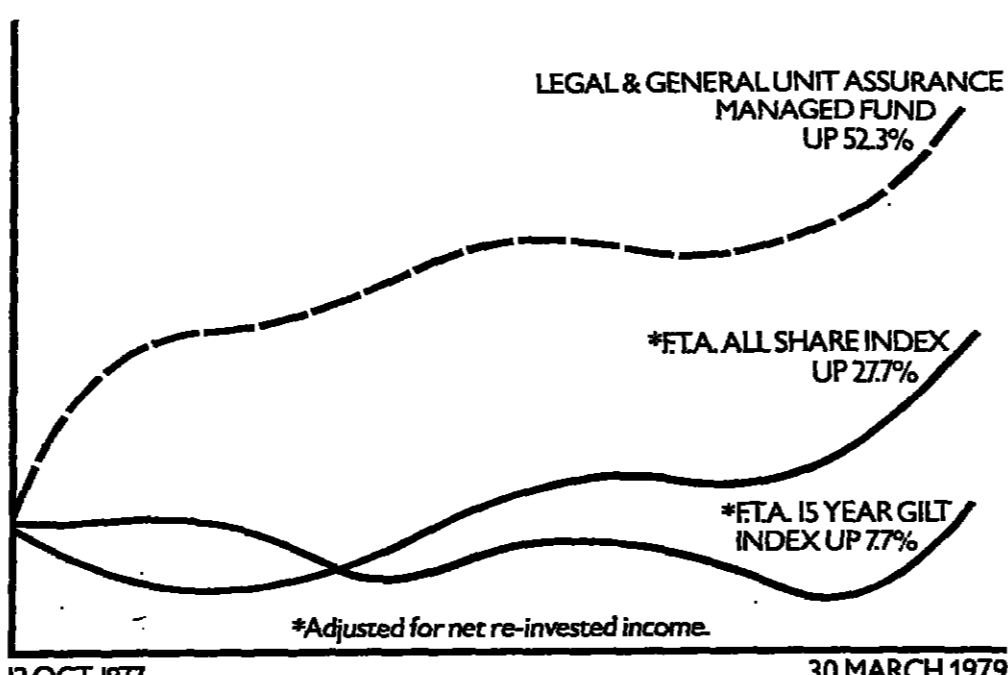
The Conservative Party is regarded as a "pushover" in Europe, Mr John Silkin, Agriculture Minister, told the Electrical and Plumbing Trades Union conference in Brighton.

It was, he said, no good Mrs Thatcher trying to distance herself from previous Conservative policy on the EEC under Mr Edward Heath.

"The trouble with Ted Heath is that he was out of his league and the big fellows in Europe looked on him as a pushover."

Mr Eric Varley, Industry Secretary, gave a warning that a Tory government would "cripple" the National Enterprise Board.

Mr Varley told an election meeting at Inkersall, Chesterfield: "The NEB has created or maintained over 300,000 jobs. It is our largest single exporter."



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Last year was not a glittering success for the stock market, as the lower lines on the graph above show only too well.

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APPOINTMENTS

Abbey National in Europe New directors for Barker & Dobson

Mr. Hugh McInnes has been appointed manager of European operations for the ABBEY NATIONAL BUILDING SOCIETY...

Group, has been appointed chairman of the SAND AND GRAVEL ASSOCIATION...

HANOVER TRUST COMPANY. He has been with the company in Edinburgh since April, 1976.

Barker & Dobson

Mr. R. W. Beaman, Mr. A. E. Sharp and Mr. P. F. Stewart have been appointed to the Board of BARKER AND DOBSON GROUP.

Mr. Eric Grayson has been appointed deputy chairman and Mr. George Helsby, group managing director...

Sir David Checketts has been appointed a part-time member of the executive staff of the BRITISH ELECTRIC TRACTION COMPANY...

Mr. Brian Forsyth has been appointed divisional personnel manager of DUNLOP GRG DIVISION...

Mr. Ois H. Smith has become president of BOEING VERTOL COMPANY, succeeding Mr. Howard N. Staverud...

Mr. E. Peter Gush, president of HUDSON BAY MINING AND SMELTING COMPANY, has become chief executive...

Mr. Derek Cooper has been appointed managing director of KEDDIES. Mr. Charles Atsma becomes director of buying...

Mr. Brian Reilly has joined NATIONAL PANASONIC U.K. as its first chairman. Mr. Akira Inaba is managing director...

Mr. J. E. Barwell is to retire as deputy chairman and a director of BRIDON after the annual meeting on May 30.

Mr. James Wyness has been appointed to the main Board of BOWTHORPE HOLDINGS as a non-executive director...

Mr. Dieter Timm, representative in West Germany for REA BROTHERS, has been appointed a director...

TOUCHE ROSS AND CO. has admitted eight new partners: Mr. P. J. Coates and Mr. J. G. Power (tax) and Mr. D. G. Barton and Mr. R. J. Turner (audit) in London...

Mr. Roy Whiticar has been appointed to the Board of COMPTON TECHNOLOGY as financial director.

Mr. S. M. Gravett has been appointed controller of the company, succeeding Mr. J. H. Haslewood, who retired from that position.

Dr. A. B. Harrington has retired as head of the CIVIL SERVICE MEDICAL ADVISORY SERVICE and has been succeeded by Dr. A. M. Semmence.

Mr. D. G. Horner, vice-chairman of Barclays Bank UK Management and former senior general manager of Barclays

Mr. Charles H. Gerrard has resigned as a director of FRANCIS SHAW AND CO on leaving to take up a new appointment outside the group.

Mr. William Rao has been appointed financial director of ROAN CONSOLIDATED MINES to succeed Mr. Bryce Porter who has left Zambia...

Mr. Martin Jones has retired from his group directorships of SENTRY INSURANCE GROUPE (UK).

Mr. Len Scott has been appointed head of P and O passenger division and managing director of P AND O CRUISES.

Mr. Paul Fennell has been appointed joint managing director, MARFLOW ENGINEERING. He is managing director of MEL Sandwell an associate company.

Mr. D. P. C. Weiser has resigned as a director of FAICLOUGH CONSTRUCTION GROUP and of its relevant subsidiaries and associated companies.

Mr. David Graveson has been appointed Edinburgh representative of MANUFACTURERS

Mr. David Graveson has been appointed Edinburgh representative of MANUFACTURERS

The Minister of Agriculture has appointed Mr. Frank C. Hager as a member of the HOPE MARKETING BOARD for three years.

Mr. D. G. Horner



Bank has been appointed to the Board of the FIRST NATIONAL FINANCE CORPORATION. He succeeds Sir Richard Pease, who is retiring from the FNFC Board because of pressure of his other commitments within Barclays Bank.

Mr. Ronald E. Parsons has been appointed a director of CANTERBURY PRECISION ENGINEERS, a member of the Robert Brett Group.

Table with financial data: Dividends, Supplementary for 1977, Making a total, Turnover, Profit before taxation, Taxation, Profit after taxation, Amounts absorbed, Earnings per share before and after taxation.

STATEMENT BY THE CHAIRMAN

On the first occasion of my reporting to you as Chairman I am pleased to report that the eleven years' trading of your Company as a Public Company once again shows record sales and profits. Sales of £237,511,000 are increased by £23,726,000 over the figure of £214,085,000 achieved in the previous year...

Mr. E. G. Litton has been appointed managing director of ROCHFORD-TOMPSON.

Mr. Dan Bröström has been appointed managing director of BROSTRÖM (UK) from September 1978. Mr. James A. Hodgson, the present managing director, will become chairman and also continue as managing director of Hoverlloyd.

Mr. Dudley Fisher, chairman of Wales Gas, has been appointed a member of the Government's new ADVISORY COMMITTEE ON LOCAL GOVERNMENT AUDIT for three years.

Mr. F. J. Benton has been appointed chairman of the NATIONAL BRASSFOUNDRY ASSOCIATION in place of Mr. Julian Usher-Smith. Mr. Benton is managing director of Yorkshire Imperial Fittings.

Mr. Michael Cooper has been appointed managing director of CONDER SCOTLAND, a member of the Conder Group.

Mr. Ron Morris, former director and general manager of European flooring operations, Armstrong International, has been appointed managing director of FORBO-KROMMENIE (UK).

Mr. Jack Dunn has been appointed general manager (management services division) of LLOYDS BANK in succession to Mr. Gordon Hague, who is retiring on July 31. Mr. Leon Wilkinson, regional general manager responsible for the North and East Midlands, has been made an assistant general manager of the bank.

Mr. Jeff Massey has been appointed managing director of MAL PHARMACEUTICALS, a division of Sterling-Winthrop Group. He joined Bayer Products (now Winthrop Laboratories) in 1955 and became chief executive of Winthrop Pharmaceuticals in 1976.

Mr. D. E. Marlow and Mr. G. S. Stone have been appointed to the board of the FRIZZELL GROUP.

Mr. P. F. Lucas has been appointed to the Board of SARO PRODUCTS, a Hawker Siddeley company, as production director.

Mr. Michael Holme has been appointed financial director of ARTHUR MAIDEN.

Mr. W. Jack has been appointed managing director of JLG INDUSTRIES (UK).

Mr. Christopher Czibinsky has been elected to the Board of ECHO as an executive director with responsibility for group personnel and training.

Mr. Neil Anderson has been appointed to the newly-created position of deputy controller of Scotland of the LEICESTER BUILDING SOCIETY.

Mr. Malcolm Lowe, who joined the Benn Group in a part-time capacity as a director of Benn Publications last year, will be joining the board of BEVN BROTHERS, the parent company, as a non-executive director on July 1.

Dr. J. E. de K. Witbooi has resigned from the Board of GOLD FIELDS OF SOUTH AFRICA and Dr. A. H. Tautu resigns on May 31. Dr. Wilton, a former Deputy Governor of the South African Reserve Bank, joined the Board as a non-executive director in 1971. Dr. Tautu will be replaced as an executive director by Mr. P. W. J. van Rensburg who has been general manager of the gold division for the past four years. Mr. G. G. Northcote has resigned as a director of member company, Mount Lyell Mining and Railway.

CONTRACTS AND TENDERS

SIERRA LEONE ELECTRICITY CORPORATION. FREETOWN, SIERRA LEONE. Prequalification of Contractors. The Sierra Leone Electricity Corporation, Freetown, invites interested contractors to prequalify for the delivery and erection of the first phase of a 33 kv grid system in the western area of Sierra Leone.

TRAVEL

MONACO GRAND PRIX. (Wetland Week) 28th May through 28th May inclusive. SEE IT IN STYLE. ONLY A NEW LUXURIOUS SEA VIEW DOUBLET ROOMS, INCLUDING FLIGHTS. PRICE £277.50.

ART GALLERIES

BROWNE & BARRY, 19, Cork St., W.1. DEGAES AND ROBIN—Bromley and London. COLMAGH, 14, Old Bond St., London, W.1. 01-491 7408. PAINTINGS FROM MONDAY 19 April-18 May. Mon-Fri 9.30-5. Sat. 10-1.

RESIDENTIAL PROPERTY

GEORGE KNIGHT & PARTNERS. RESIDENTIAL LETTINGS. require an expertise not usually offered by the agent in general practice. Our experience is based on 20 years' continuous specialisation in this field...

EDUCATIONAL

Education after 16. Dartington Hall School is now able to announce details of its special project time education, in which the school and adult life... Postern Programme. The Programme is planned to benefit both school leavers AND those who would gain from returning to full-time education...

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1976. NOTICE TO NON-ASSenting. (Paragraphs to Section 206 (2) of the Companies Act 1948.) THE SIERRA LEONE ELECTRICITY CORPORATION. NOTICE TO NON-ASSenting. (Paragraphs to Section 206 (2) of the Companies Act 1948.)

CLUBS

EVE, 199, Regent Street, 734 087. A is Circle of Ailva Hems, three Spectacular Floor Spans 10.48, 12.48 and 1.28 and more of Johnny Hemswood's Friends. GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE SHOWBOOZ.

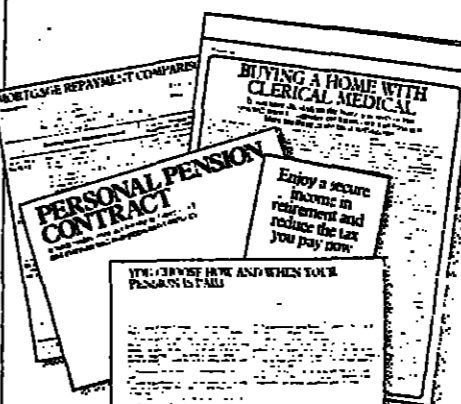
ART GALLERIES

LEFEVRE GALLERY, CONTEMPORARY PAINTINGS, Wednesdays 10-5, Sat. 10-12. 10, Grosvenor Street, London, W.1. Tel: 01-493 1572. MALL GALLERIES, The Mall, S.W.1. FINE ARTS, Wednesdays 10-5, Sat. 10-12. Annual Exhibition, Mon-Sat, 10-5. Until May 15.

CLERICAL MEDICAL IN 1978

AVERY GOOD YEAR FOR OUR PREMIUM INCOME, OUR PRODUCTS AND OUR PERFORMANCE

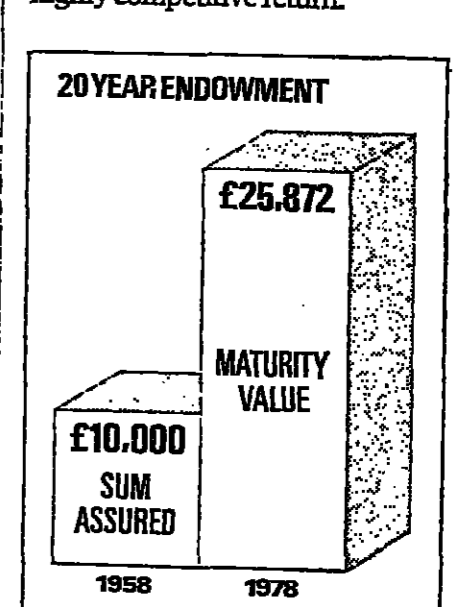
Our new premium income. In 1978 new annual premiums were almost double last year's (£19.1m compared with £9.6m in 1977), but this increase was accompanied by an even higher rate of growth in single premiums (from £7.0m to £15.3m). And total sums assured in force, including equivalent cash sums of pension schemes, grew to £2672m.



Our performance. Sound investment performance is the key to success for any life office, and our record over the years speaks for itself in the high levels of bonus we are currently paying. A with-profits endowment policy, taken out with Clerical Medical in 1958 for a sum assured of £10,000, would have matured in 1978 for a tax-free payment of £25,872—a highly competitive return.

NEW LIFE BUSINESS. State scheme boosts CMG—huge rise in premiums. Financial Times 9th January 1979.

Our products. Our range of policies—and the consistently good results produced for policyholders—is undoubtedly one strong reason for the upsurge in new business that came our way in 1978. And during the year we strengthened our product range still further, with the addition of a new Personal Pension Contract for the self-employed and a Minimum Cost Endowment Policy offering an even lower cost method of mortgage repayment. More and more intermediaries and their clients also made use of our expanding Personal Financial Planning Service.



Extracts from the Statement by the Chairman, Mr. Douglas Morpeth. * 1978 has been a year of considerable achievement for the Society. The remarkable increase in the amount of new business written is a result of the reputation which the Society has established as one of the leading life offices in the country. * By increasing its share of the market both for individual and group business in 1978 the Society has strengthened its relationships with its long-standing brokers and agents. * We look forward to the current challenge with confidence that however the market develops the Society will have a successful 1979.

CM & G Clerical Medical & General Life Assurance Society. 15 St. James's Square, London SW1Y 4LQ. Tel: 01-930 5474. Incorporated in England by Act of Parliament with limited liability No. 2393.

Head Office: Bushey Road, Raynes Park, SW20 0JJ. Tel: 01-946 9111

Handwritten signature: J.P. 11/1/50

1550

EXPORTING COMPETITIVELY.

Why talk to us when most banks seem to offer the same export service?

Because we believe you will find:

1. Our fee structures are highly competitive and often more flexible.
2. Our comprehensive services cover all aspects of exporting including the largest projects.
3. Our front-end financing is often more imaginative.
4. We have considerable experience, over 20 years, of working with E.C.G.D.
5. Our commercial loan documentation is often simpler and more concise.
6. Our decisions are fast.

We deliver.



Test us.

Midland Bank International

Midland Bank Limited, International Division, 60 Gracechurch Street, London EC3P 3BN, Tel: 01-606 9944, Telex: 888401.



And remember—we deliver a range of international services no other bank can offer.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

INSTRUMENTS

Counts the vehicles

INTRODUCED by Golden River, a vehicle counter costing only £115, is for applications where reliability at low cost is important and where a permanent record of the total vehicles per unit time is not required.

These include traffic census and commercial uses where traffic totals are required for shopping centres, car parks, garage forecourts and car washes.

Portable, weighing only 3kg, it is powered by a standard 6v dry cell battery and operated from a standard pneumatic road tube sensor. As vehicles pass over the tube, the change in air pressure is sensed by a sealed solid-state detector connected to a six decade electromagnetic counter. The counter is incremented one count for every two pulses, the maximum count being 999,999 and the counter response 10 vehicles/sec.

At the beginning of the survey the Autocount total is noted through the viewing window and again at the end of the survey, the difference between the two totals giving the number of vehicles passing the site during the survey period.

Housed in a 152 x 120 x 176 mm cast aluminium case sealed against the environment, fitted with tamper proof hinges

and secured by a padlock, the counter is designed to be installed at the roadside or surface site. Operating temperature range is -30°C to +70°C.

Golden River Company, Telford Road, Bicester, Oxon OX6 0UL, Bicester (08692) 44551.

Metrology agreement

PRODUCTS made by Pneumo Precision Incorporated of New Hampshire are to be marketed in the UK by Rank Taylor Hobson (P.O. Box 38, Gux-larton Street, Leicester LE2 0SP, 0533 23801).

The complete range of metrology and geometry gauging products made by the U.S. company will be sold under the Taylor Hobson brand names, Talycentric and Talytron. They will include air bearing rotary tables having diameters ranging from 200 to 1500 mm with load bearing abilities ranging from 23 to 2800 kg, and also horizontal and vertical linear straightness measuring modules within the range 300 to 1000 mm.

MANAGEMENT

Job costing is made simpler

PRODUCTION job costing is one management control that can take up a great deal of time and effort. The problem is basically one of collecting cost centre source data accurately and of getting it to the office quickly—for the factory floor is not the best of clerical environments.

Automatic Revenue Controls has designed a method which makes job costing a semi-automatic part of the overall time/attendance control arrangements. It involves Plantime, introduced a few months ago as an electronic improvement on clocking-on.

Employees insert nylon keys or identity cards into a wall unit on arrival and departure. In that unit—connected to a processor total hours and minutes worked to date that week are held. Time attended accumulates automatically and precise times of arrival and departures are recorded too.

Much of the information for job costing therefore is already in the time keeping system. The difference is that with Plantime it is not on cards at the entrances, but already available for computer input.

Using simple keyboard terminals around the works, the tasks to which each person or team is allocated throughout the day can be entered. The date and time of allocation is recorded automatically at the time at which the entry is made.



Task allocation and time is entered on this terminal.

All the operator needs to know is the employee's works number and the job reference number.

Human error is unlikely to creep in since the two figures entered are displayed back to the operator and, presumably, the employee can watch the entry being made to check accuracy.

As with the main bulk of Plantime's attendance information, these details are recorded on paper tape, magnetic tape or

floppy disc for direct computer entry to the existing job costing program.

Comparison of data received from the time-keeping system and cost centre entries will reveal production allocation, downtime, unaccounted time and so on in a way which at present requires manual data capture and cross referencing.

ARC, Shakespeare Industrial Estate, Watford, Herts WD2 5HD. 92 44300.

PROCESSING

Provides pure water

WATER FROM the tap may be safe for humans in a good state of health to drink, but it is too contaminated for many industrial processes, research work and medical purposes.

Elga Products which has specialised in water treatment for many years has just introduced equipment called Labro which, it is claimed, exemplifies a new concept in reverse osmosis water purification. The process separates the dissolved salts from water by applying a differential pressure across a semi-permeable membrane.

It is a mobile, electronically controlled unit for use in laboratories and functions without chemical additives. Up to 95 per cent of dissolved inorganic salts, together with most of the inorganic matter, is claimed to be removed. For the highest possible degree of

purity the unit is connected to an ion exchange system. The reverse osmosis membrane used can operate over a 4 to 8.5 pH range and on water supplies containing up to 3,500 parts per million total dissolved solids.

An integral 10 micron particle filter prevents any suspended matter entering the system and output is rated at 0.5 litre per minute.

In the medical field, Elga, which is at Lane End, Bucks. (0494 881393), has also developed a new machine incorporating a reverse osmosis stage and called the MediRo for use in renal dialysis. It can be connected to all types of proportioning dialysis machines and eliminates the need for intermediate storage tanks. The machine will produce 1 litre per minute.

Pin-point welding torch

DEVELOPED by Tescom Corporation, Minneapolis, Minnesota, and operated on oxygen and fuel gas (acetylene, hydrogen, propane or MP5), the "Little Torch" produces up to 6,000 degrees Fahrenheit. Flames from it are so small that they easily go through the eye of a needle.

Equipped with five different-size tips, each of which has a sapphire jewelled orifice for durability and precision flame control, the Little Torch welds metal smaller than 0.001-in wire up to 16-gauge steel.

Used on glass, ceramics, and most special experimental metals with high melting points,

it operates with gas pressures from 2 to 4 psi and consumes gas at the rate of 0.023 to 0.254 standard cubic feet per hour. Tescom Corporation, 2800, Niagara Lane North, Minneapolis, Minnesota U.S. 55441.

COMPONENTS

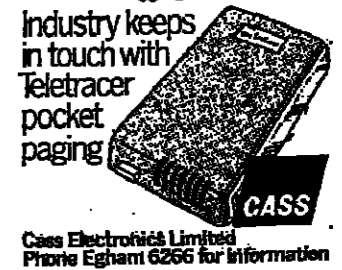
Monitors itself

IN APPLICATIONS where the highest quality compressed air is essential, monitoring of filtration conditions is vital, asserts Spirax-Sarco, Charlton House, Cheltenham, Gloucester (0242 21861).

Company has introduced the Ultraclean SC2 range which incorporates an indicator housed in a sight dome which gives an orange warning of exactly how conditions stand, and how long before replacement of filter elements must be made. State of the filter element can be seen whether air is flowing or not, even when the system is at rest, the indicator retains its aspect.

Resetting is a simple job. Operator replaces the filter, unscrews the sight dome and pushes the indicator to zero. Offered in sizes 1, 2 and 3 in, as with the company's SC2A range, the Ultraclean is also available with automatic drain.

BLEEP! BLEEP!



Industry keeps in touch with Teletracer pocket paging. Cass Electronics Limited, Priory Egham 6266 for information.

MATERIALS

Resists fire and vapour

RECENT tests carried out on a fire-retardant elastic polymeric coating, for application to flexible fire and vapour seals on offshore oil platforms have proved it to be readily applied and to ensure a safe, impermeable and permanent seal.

Manufactured by Bestobell Aviation Products, the seals are supplied for fitment to pipes passing through firewalls and as many as 2,000 of varying sizes would be installed on a typical platform.

While a degree of leakage is normally acceptable, there are specific areas where absolute vapour tightness is essential. Tests on various coatings applied to the textile cover of the seal proved that with Decadex the only material to withstand 50,000 flexing cycles in 24 hours without cracking, showing the long term practical usage of the product.

A water-based product which can be applied to the pipework, including the seal, by brush or spray, it forms, after curing, a tough elastic skin that withstands weathering, rapid changes in temperature, pollution, and oil spillage. It also complies with a range of BS 476 requirements for fire retardance.

Decadex Firecheck is made by Liquid Plastics, P.O. Box 7, London Road, Preston PR1 4AJ, Telephone 0772 59781.

POWER

Distributor can be moved about

FOR SITUATIONS where electrical power up to 1.2 MVA, is needed for a variety of purposes at different locations on a site, Wye-power of Drove Road, Everton, Nr. Gamlingay, Sandy, Beds. SG19 2HX (0767 50011), has introduced a portable distribution unit.

Designed primarily for dock-side use in the shipbuilding and shiprepairing industries, the unit is fully weatherproofed and can be quickly brought into action at each new location.

There are two electrical compartments, one for input connections via interlocked main switch and fuses and the other for outputs via plug and socket. The circuits have earth leakage protection. Provision for additional protection, as well as transformers for 110 or 50 volts is made.

RESEARCH

Survival under water

TWO DEVELOPMENTS which may enable industrial submarines to work submerged for much longer than is now possible have been successfully tested on the Lockheed research submersible Deep Quest. They are a hydrogen-oxygen fuel cell to provide power, and an all chemical life support system.

The new fuel cell, similar to those aboard Apollo spacecraft, supplied the electrical power during a 5,000 ft (1,525 m) test dive lasting 44 hours. The dive was sponsored by the U.S. Navy and during it the fuel cell was subjected to a pressure of 152 atmospheres.

It was one of 10 successful dives since October in which the fuel cell logged 62 hours of submerged operations. Another set of dives including a fuel cell endurance test of at least 35 hours will begin shortly. The 30 kw fuel cell was designed for tests on a U.S. Navy Deep Submergence Rescue Vehicle (DSRV) also designed and built by Lockheed. With two of them on board a DSRV could rescue the crew of a submarine stranded on the seabed without stopping to recharge its batteries.

One cell can produce 700 kWh of 120 volt direct current before refuelling, nearly seven times that which batteries can provide.

The cell weighing 375 lbs (170 kg) and installed in six cubic feet of space (0.17 cu. m.) is supplied by United Technologies. It is self-contained and consumes gaseous hydrogen and oxygen to produce power electrochemically without combustion. Water is a by-product.

The new life support system developed by Lockheed Missiles and Space Company generates oxygen and removes carbon dioxide. It will enable the Deep Quest crew of four to remain submerged for up to 72 hours, six times longer than was previously possible.

It detects the pressure variation in the submersible as a result of the crew's consumption of oxygen and controls the

METALWORKING

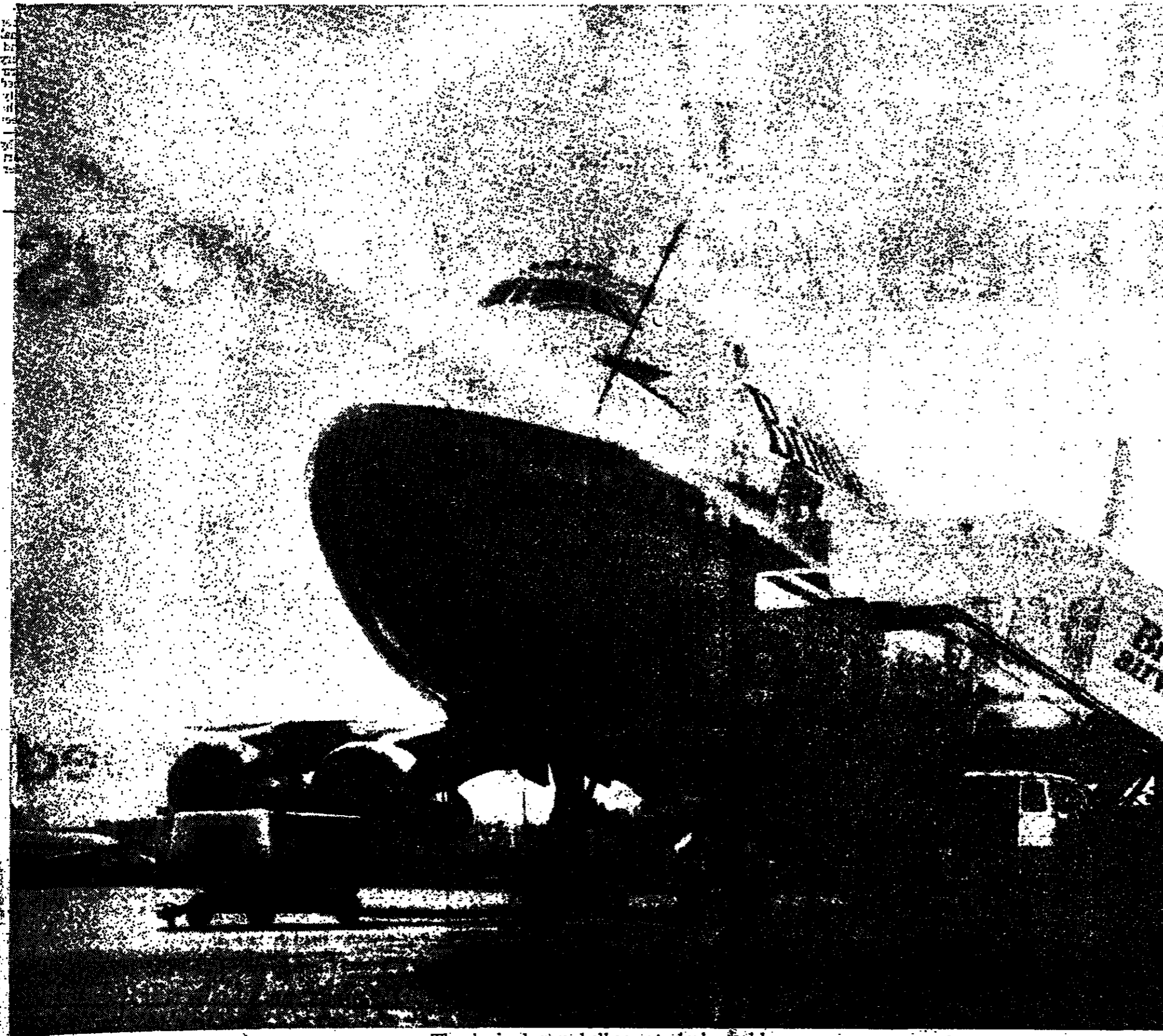
Tailor-made presses

HIGH-SPEED heavy blanking presses manufactured by Piovani of Italy, are now being marketed in the UK by Machine Tool Agencies (1972), Warwick. It is stated that the machines are usually tailored to suit specific requirements. Basic models range from 80 to 400-ton capacity and can be supplied as a complete package including ancillary equipment.

A typical installation could include de-coiling equipment, power feed, scrap-chopper and component handling away from the tooling area. Also, complete tooling sets can be designed and manufactured.

It is stated that apart from heavy duty blanking, these machines have also been used for the volume production of laminations for the electric motor industry.

PILKINGTON



They're in demand all over today's world. High-technology safety windscreens for cars and aircraft. Bullet and bandit resistant glass for vehicles and buildings.

They're the best. One of these windscreens recently achieved a record 18,000 hours service in a Boeing 747.

And they're developed and manufactured by Triplex—a member of the Pilkington Group and an important contributor to the £100m Pilkington earned for Britain last year.



How's that for enterprise!

Nilfisk
—the world's largest manufacturer of Industrial Suction Cleaners.
Bury St. Edmunds, Suffolk CB24 6JH 63163

FINANCIAL TIMES SURVEY

Wednesday May 2 1979

1550

Calculators

Today's increasingly powerful calculators are challenging computers on their own ground as the cost of additional functions, including voice production, falls and new applications become realities. The problem for the companies is to define the new uses and produce machines at the right price in the face of severe competition.

APPEARING ON the bookshelves about now is a report produced some months ago for the Department of Industry's CSERB, which stands for Computers, Systems and Electronics Requirements Board, written to guide the board in its decisions on where to put powerful financial backing in the advancement of what could be called very broadly information handling.

Written by Iann Barron, Managing Director of Immos, and Ray Curnow, formerly of Sussex University's Computing Department—neither of whom needs any introduction to readers conversant with the current politico-economic arguments concerning new industries for Britain—it is a valiant attempt to encompass all the relevant technologies, explain them in language as plain as can be written about some areas of development, and then draw reasoned conclusions in each case.

It looks forward over the next 10 years. And calculator users and manufacturers will be taken aback to read that the authors see little future for these machines although probably 33m of them were sold in Britain last year.

In the next five years or so, the distinguished authors say, we will see very rapid progress in the development of personal computers, which have ability to talk to and derive information and instructions from a much larger and vastly more powerful machine at, say, a central company, government department or educational complex.

This looks very much like an idea being developed by a group at the City University, London, for a compact "wandering slave" computer that a businessman would take with him on sales or

investigative trips. He would use it as an intelligent notebook and plug it into the main computer on his return so that the company's databanks could immediately be enriched with the results of his work.

So far, so good. But Barron and Curnow, authors of "The Future with Microelectronics" might like to ponder the fact that Francois Gernelle, credited by the French with having designed in 1972 the first micro-computing system—as distinct from the naked micro-chip—would not agree with them at all. His early work gave rise to a currently well-known product called the Mical M, which is a multi-micro processing unit.

Gernelle in a long interview with Ol-Informatique peremptorily dismisses personal computing. "C'est du gadget," he declares. "Very educational, no doubt, for a certain category of people especially for the young to whom it can give a taste for computing. But I do not think it can have any influence at all on the real computing market in France."

Answer

But perhaps the best answer is one given by Prof. K. Steinbuch of Karlsruhe University. In the conclusion to a collection of essays, "Technological Forecasting in Practice," he says that "in considering technological forecasting, we see a glaring disproportion between the frequently high-pitched expectations and the modest performance."

"One thing is made repeatedly clear by this study: the actual milestones of technological development, discoveries and inventions cannot be fore-

cast. To forecast them would be to forestall them." Oh dear!

No quails about where calculators are going from Dr. Chris Evans of the National Physical Laboratory, head of a team which invented "Muppet," a calculator with the ability to converse with its user and guide him towards a logical conclusion in many areas of application. One of these is language translation — as distinct from straight word-to-word translation provided by the — already astonishing — Lexicon calculator.

This last facility Muppet can provide, but it has also been programmed so that there is less likelihood of the user's falling into the linguistic snare that tripped President Carter on his recent historic visit to Poland. Then, his desire for a close relationship with the people of Poland was transmogrified, during interpretation, into a wish for carnal knowledge.

It is easy to make such mistakes using a dictionary. What straight word-for-word work can produce in the way of translator's howlers is unimaginable.

So hurrah for Muppet!

Evans calls this machine and its descendants "pocket computers" and here is the nub of the argument: when does a calculator become a computer? He foresees in the not very distant future calculators with voice input/output (the latter we already have), with flat

tion cannot be far away.

Looking at another type of forecasting — the ubiquitous Mackintosh Associates Yearbook — it appears that purchases of calculators of all types will continue to hold up well into the 1980s. Sales in the EEC, the Nordic Countries, Austria, Switzerland and Spain for 1977 were

By Ted Schoeters

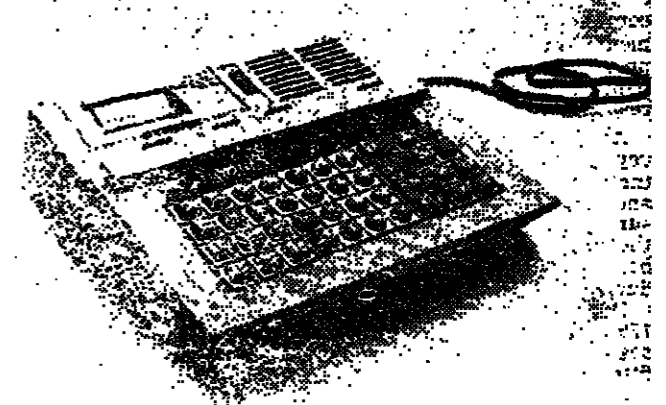
screens that can provide graphics and with vast amounts of data storage on high-capacity chip memories.

The Texas Speak and Spell machine has voice synthesis from a solid-state device and is a brilliant piece of design, of which more later. Voice recognition is more difficult and much more expensive, at least at the moment. But there is a huge amount of effort going into this particular problem, not the least because of its obvious applications on the military front, and a simple, cheap solu-

\$465m, of which \$63m were in Britain.

For 1982 the figures are, respectively, \$568m and \$68m, which means that the UK market will grow much faster than for Europe as a whole — by about 60 per cent over five years against less than 30 per cent.

But one factor very difficult to integrate is the price crash which inevitably appears to affect each new model a few months after its appearance. And to allow for the effects of inflation at the same time is equally hard.



Ever-increasing computer power on the desk top is typified by the Olivetti range of Logos calculators

personal computer, however unjustified this may appear at the moment.

It should, however, give many industrialists cause to think that Texas Instruments, taking its own medicine, recently distributed 3,000 of its most powerful programmables (the TI-59) throughout its U.S. factories.

Initial results are that 40 per cent less computer terminal time is being used by staff and at a rough estimate, for every \$1 spent on providing this form of support \$10 is being gained through increased productivity better problem solving and the natural instinct of the engineer to take his problem home — which cannot now be done, by means of an engineering department terminal, however interactive it may be.

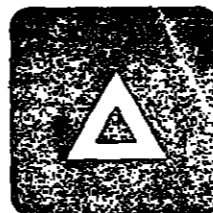
Impact

In the desk top area, where the distinction between a portable computer and a micro-computer assisted calculator is more blurred than ever, Olivetti is holding its own in Europe, though for how long would be difficult to guess. The problem here is the impact of the

OLIVETTI. FIRST IN CALCULATORS

Olivetti. The largest manufacturer of printing calculators in the world.
Olivetti. Forty years worldwide experience in calculators.
Olivetti. Familiar with the daily figurework of millions of customers.
Olivetti. Foremost in calculator innovation.
Olivetti Logos. 10 models of electronic printing calculators.
Just a few clear reasons why Olivetti can now give you so many permutations to solve simply and precisely your most exact calculating problems.

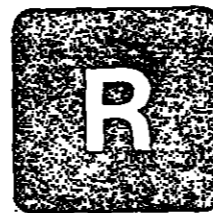
Do you want to compare two quantities?
 A single key (delta) gives you automatically the increment or decrement between the two quantities and its value in percentage.



Do you want to calculate sales prices?
 Just enter the required percentage of profit and the cost of every item; you will obtain automatically the sales price.



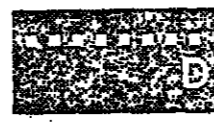
Do you want to round-off the result of one or more calculations to a pre-established value?
 Enter the value required and carry out your calculations. The results will automatically be rounded-off; the real result will be printed first followed by the rounded-off one.



Do you need to calculate the hours worked by your employees?
 Set the console selector at H (hour) position and enter the time-in and the time-out of each individual. You will obtain the time difference expressed in hours, minutes and seconds.



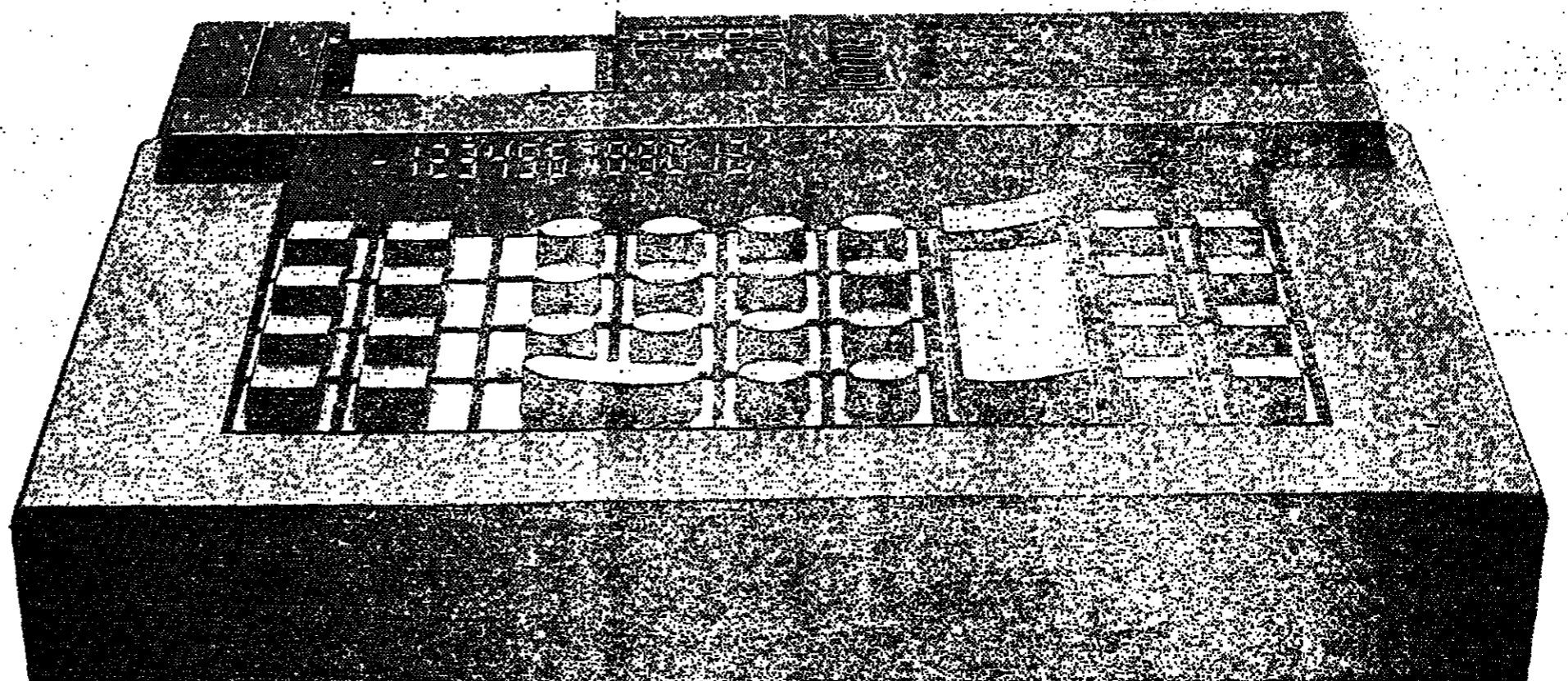
Do you also want to calculate dates?
 Logos 43 PD and 45 PD allow you to know: the number of days elapsed between two dates; a past or future date; the corresponding day of the week of a given date. These machines store two calendar centuries (1900-2099).



Do you wish some of your calculations to be programmed?
 The Logos 45 PD can store one or even two operating sequences and repeat them automatically. You need only enter the variables.



Olivetti Logos for the solution you need



To: Valerie Belfer, British Olivetti Limited,
 30 Berkeley Square, London W1X 6AH.
 Please send me details of your Logos Calculators.

Name _____
 Position _____
 Company _____
 Address _____

F.T. 2/5/79

Consider Olivetti first

olivetti

CALCULATORS II

Desk-top machines market encroaching on computers

SYSTEMA
QUALITY ELECTRONIC CALCULATORS

A LEADING BRAND NAME IN EUROPE

Available in the U.K. at major Dealers and all D.G. LEISURE CENTRES

SYSTEMA

COUNT ON US! LANDAU CALCULATOR SPECIALISTS

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Distributors of Hewlett-Packard, Texas, Casio, CIBA, Silver-Paced, Cannon, Sharp, Biko, Lloyd's etc. Full range of accessories.

CALCULATOR CENTRES AT:
Lion House, 227 Tottenham Court Road, London W1. Tel: 01-580 7383
Grants of Croydon, 14-22 High Street, Croydon, Surrey
Laudau, 9 Tottenham Court Road, London W1
The Byte Shop, 48 Tottenham Court Road, London W1
Hi-Fi Care, 245 Tottenham Court Road, London W1

MAIL ORDER DIVISION HEAD OFFICE
LANDAU CALCULATORS
195-199 and 209 High Street, Sutton, Surrey. Tel: 01-643 0027

THE MARKET for desk-top business calculators has stabilised and, for the first time for many years, prices are actually beginning to increase. Manufacturers of the better-selling machines have maintained a conservative policy of offering simplicity of operation without gimmicky features, since the majority of business machines are designed for routine operation by people without sophisticated computational skills.

However, as the price-to-performance ratio in micro-electronics is driven inexorably downwards, manufacturers have also tried to find ways of adding features to their business calculators without making them too complicated to operate. For this reason, Olivetti, the market leader in this section of the calculator market, recently brought out a machine costing more than £400 which

can turn a set of figures into a easily recognisable bar chart at the touch of a button. This machine will also convert a list of figures into a percentage of a total or compute percentage increases automatically.

These routines are very simple to operate because the user has only to learn the sequence of pressing keys and scarcely needs to know what a percentage is.

Bulky

The distinguished feature of all desk top business calculators is that they have a printer and a tally role. The printer is either of the matrix impact type or in the more expensive and faster machines, a thermal printer. It is often supplemented with a visual display in the form of light-emitting diodes. Business machines also tend to be, by calculator standards,

relatively bulky. This is because they are in constant use all day, so that the convenience of a large keyboard is of great importance to users. Larger machines are also more immune from theft since they would be inconvenient to steal and out of place in a home.

Compared with pocket calculators which may have basically the same functions, office calculators are expensive—perhaps ten times the price, partly because of the need to incorporate a printing unit. The cheapest machines with a printer attached start at £30 to £60 for a small portable machine. Prices then range upwards to more than £400 for the more sophisticated desk top models.

At the upper end of the range, a blurring is beginning to be seen of the distinction between desk calculators and personal computers. Prices are already close, since the Commodore PET computer can be bought in its basic form for little more than £500. However, although the PET is adaptable to business purposes, its very sophistication would rule it out as an everyday tool to replace the office calculator in banking,

insurance and similar applications.

The business calculator is in one way similar to the more advanced scientific calculators since they both usually require to be fitted with printing units. However, the markets are very much different since the scientific community requires much greater flexibility and ability to programme rather than simplicity of operation and ruggedness.

The more expensive scientific calculators made by, for example, Hewlett Packard and Texas Instruments are indeed small computers and are being used increasingly by managers for tasks which previously would have required a mini-computer.

Business calculators such as are not usually programmable, although businessmen do sometimes use scientific machines for calculating cash flow, stock control figures and other functions. However, business machines probably will become programmable, much in the same way as television games are programmable: that is, the user will not need to know anything about programming. He or she will simply plug in a pre-

programmed cartridge to obtain different functions.

When this happens, probably in the next year or two, business calculators will indeed be difficult to distinguish ideologically from computers. The main difference will be that—in the jargon of the computer world—the machines will be "friendly." However as every computer manufacturer is also dedicated to the high ideal of friendliness, it may not be easy to tell the difference.

Alacrity

The ultimate in friendliness in a computing device is when you don't know it is a computer. That is, it should behave like a rather simple servant, responding to simple commands with alacrity and accuracy.

This is clearly the ideal for a business machine which is designed to sit on the desks of millions of clerks. The increasing complications of the technology will be used therefore to feign simplicity to the user while performing quite complicated tasks.

The total world market for printing calculators is currently estimated at about 4m to 5m

units a year and is showing a steady growth of perhaps 15 per cent a year. Olivetti is the market leader with a claimed 25 per cent of all machines sold.

The second is probably Texas Instruments, although it is not particularly strong in this market in the UK. Then come Casio and Sharp of Japan whose production volume is almost identical.

Among the scientific machines, which account for about 10 per cent of the total market for printing calculators, Hewlett Packard is one of the leaders. However, Hewlett Packard has been turning its energies progressively upwards, market with a concentration on machines with a high computing power and the capability to control and to accept direct input from other instruments.

In spite of dire predictions, the mass market for slim pocket calculators has scarcely dented. It is clear that pocket calculators have a quite different function, and now they are so cheap, people can afford to buy one casually, perhaps even three of four.

Max Wilkinson

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JUST OVER five years ago, the calculators that were being used for scientific and technical work were relatively large, occupying one or two square feet of desk top and costing several hundred pounds and upwards.

The more advanced of these calculators, costing well over £1,000, had keys for a variety of commonly-used mathematical functions, and could store and run programs with hundreds of steps and print the results of successive stages of their computations.

As some of the manufacturers provided fairly extensive program libraries, these calculators were used by many laboratories and research departments to perform routine or semi-routine numerical tasks and statistical analyses. They took over a whole range of jobs which otherwise would have required the use of a computer.

In 1973, Hewlett Packard introduced the first pocket calculator, the HP-35, at a price of just over £200. Although it was not programmable and had only four memory locations, it had a set of mathematical function keys, similar to those of the large scientific calculators, so that it could do quite a wide selection of the calculations in their range.

Breakthrough

At the time, it was an important breakthrough and just what scientists and engineers had hoped would come on the market. And it was soon followed by improved models, manufactured both by Hewlett Packard itself and by rival companies such as Texas Instruments.

The explosive growth in the pocket calculator market since, as prices have dropped sharply, the range of models broadened, has brought the simplest calculators—able to perform the four rules of arithmetic and sometimes having some extra facilities—down to under £5.

The cheapest calculators with

mathematical functions are about £10, though scientific and research workers need to check the accuracy of these functions on individual models—they may be to only four or five significant figures, compared to the usual eight, nine or 10 on the more expensive models.

There is a whole range of calculators that are not programmable by the user but nevertheless have built-in programs that provide facilities for numerical mathematics on some models and for the more commonly-used simple types of statistical analyses on others. Although some of these machines are very good, they still cost less than £50.

The simplest of the programmable calculators are slightly more expensive, ranging from the very small Sinclair Cambridge, around £15, to rather more than £50; they can store only small programs with a few dozen steps and these programs are wiped out when they are switched off.

The Hewlett Packard HP-29C, for about £90, is able to store programs while it is switched off, and the HP-19C, for about £130, has this facility and also a small printer. Larger printers for pocket calculators cost about £150.

The more sophisticated pocket programmable calculators, marketed by Hewlett Packard and Texas Instruments in the price range £150 to £250, have room for hundreds of program steps and/or dozens of memory locations (according to what use is made of the available storage), together with a facility for reading into the calculator programs stored on small magnetic cards.

This provides scope for using a whole range of library programs for mathematical, statistical, scientific, engineering, economic and financial problems, as well as for storing programs developed by users. Thus most of the facilities, previously available on the earlier generation of advanced scientific calculators, can now be used on

these pocket programmable calculators.

Like the earlier generation of calculators, these newer calculators can perform a wide range of jobs and are a useful supplement to computer services. This has been borne out by my own experience and that of some of my colleagues at University College, London, which confirms that there are several types of situation where they have advantages.

Firstly, they are very compact and can be placed conveniently to hand on a desk. Secondly, they allow very simple calculations to be performed very quickly, without any of the overheads of time and effort that are needed to access the majority of computer systems. Thirdly, they are very useful whenever there is a demand for computations of a specific type, for which facilities or ready-made programs are already available on the calculator.

Complicated

For example, using a Commodore Statistidien costing less than £20, I have been able to perform a wide variety of statistical analyses and statistical distribution calculations with the minimum of formality, requiring only the input of the data and the depression of a few special keys. It is true that there are some time delays of up to about a minute while waiting for the answers, but the total time taken is still much less than that required to set up the calculations for a computer and then visit the computer centre.

A considerable number of somewhat more complicated and extensive jobs can be done almost as conveniently, this time using one of the programs together with library programs on magnetic cards.

Fourthly, even when the user has to prepare and set up his own program for a calculator, this can be more advantageous than using a computer, if he wants to apply this program repeatedly on many different occasions, sometimes at very short notice with a sudden requirement for almost immediate results.

Last but not least, calculators are usually highly reliable pieces of equipment, not subject to the infuriating, sometimes even disastrous, delays and breakdowns which are liable to occur at university computer centres, even when computer terminals are available and being used.

What developments and trends seem likely in the future? The predominant influence is likely to be that of the personal computer, which has already made it feasible to perform complicated calculations and do processing tasks at only a small fraction of the cost that was possible even a few years ago. This would be a useful piece of equipment for many working scientists because it can fit easily on a desk top and save much time.

However, I do not foresee that it will make a sudden inroad into the scientific calculator market; it is more likely that its effect will be to slow down the expansion of that market and make it somewhat more limited than would otherwise be the case.

The Commodore Pet Computer, priced from about £500

upwards, is the cheapest personal computer having effective high-level programme language facilities; it is still about twice as expensive as scientific calculators using magnetic program cards. This suggests that, for the next year or two at least, scientific pocket calculators will remain the most appropriate equipment for carrying out the types of computational job for which they are now best fitted.

The prospects for the larger programmable calculators of the previous generation seem far more doubtful, as they no longer have a price advantage; indeed, their use may already have dropped sharply due to the impact of the pocket calculators.

One area where the personal computer will have increasing value, as compared with the programmable calculator, is its application to problems where ready-made programs are not yet available, so that they have to be provided by the user. Here, the advantage is decisive, as personal computers with the BASIC high-level programming language can be programmed much more easily and reliably than calculators.

A personal computer also has much more memory than any pocket calculator, so that it can run programs that are much more complicated and/or use much more data. In many cases, its programs can be stored on floppy disks that cost only a few pounds each, yet can contain much larger programs than can be held on magnetic cards.

The personal computer can also do work beyond the capability of any calculator, for example, in jobs requiring the handling of text and other non-numeric data. This facility is more typical of commercial computing, but it is becoming increasingly important in scientific and technical work too, as personal computers could produce verbal reports in conjunction with the results of calculations, and could also handle small data bases, information retrieval systems and personal information systems.

In the longer run, personal computers could be used for a variety of the scientific uses now covered by programmable calculators, as a result of several trends.

Grants

Personal computers will become steadily cheaper, and their price could drop to around £100 within five years. This fall could make them become easily available to scientific and technical staff because they could be bought with ordinary equipment grants, as pocket calculators are now.

Their programming languages will become more sophisticated, and the variety of ready-made software, designed for them, is rapidly expanding and many soon include facilities which they could be used as if they were calculators.

So pocket calculators, programmable calculators, personal computers could gradually merge into one continuous spectrum of computing machines.

Alan Mayne

The author is a Senior Research Fellow in the Department of Statistics and Computer Science, University College London.

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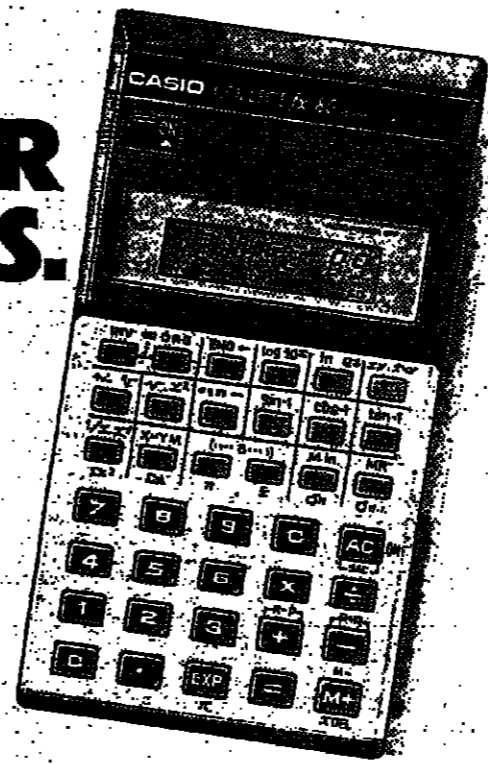
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Journal 150

CALCULATORS III

Educational aids have big potential

CALCULATORS AS games and teaching and educational aids—in the opinion of many observers—will be one area of diversification for the calculator industry that could prove to be a market of enormous potential. Yet its products would use many of the basic techniques of calculator manufacture and operation.

Another area of endeavour and one chosen by the British company Sinclair as offering more scope than calculators, is that of the digital multimeter where there is a great deal of competition, but also scope for miniaturising standard equipment to such a degree that the end-products can be termed "pocket" or "personal."

Such is the versatility of the drive unit and storage chips used that, with the base market approaching maturity, manufacturers have cast around for new outlets. Hence the proliferation of hand-held and TV-linked games. But already there are signs that the simplest and cheapest of these have reached their peak of popularity and that games where a great deal more skill, or thought, is demanded are growing in popularity, even at prices between twice and five times higher.

Recipes

Such games would normally be controlled by a read-only memory chip (ROM). On the horizon is the promise that magnetic cassette drives working with the game/educational toy through random access memory (RAM) will provide better than a hundred times more information to the display and the user.

This leads into an area of many new possibilities including the provision of what one might call an "encyclopedia" of tapes providing recipes, train timetables, air schedules, first-aid instructions, etc. etc.

But here and now we have

the Speak and Spell, a £38 educational "toy" that has in no less than the seeds of a revolution in teaching methods. In simple terms what it does is to say the letter when the appropriate button is pressed. It also presents a series of words for the child to say and then repeats the series, giving time for each word to be spelled out (through the buttons), saying each letter as it is pressed. The user gets two tries, and if the second is also wrong, the unit says so and goes on to give the correct spelling.

A third function is the presentation at random of a mystery word that the user has to guess by trial and error—being given a fairly limited number of tries. A fourth is an encoding device which is pure cloak and dagger stuff.

Twenty-six letters and 400 words are in memory. Later this year, add-on units each of 200 words will become available. English speed synthesizers are under development—as opposed to the mid-American chip now used. French and German units are coming on, but no one will be surprised to learn that the German umlaut is a headache or that the initial capital for all nouns in the German language is an even bigger one.

It is essential here to say something about how speech synthesis is achieved. Without going into intricate detail, the synthesizer chip or "Linear Predictive Encoder" is fed with information from two memories under the control of the micro-computer. This information is, basically, what the voice sounds like each 1/40th of a second when a particular letter is being vocalised. The encoder fills in the gaps and produces a sound at least as acceptable as that from a portable cassette unit.

The beauty of the development is that it will reproduce the human voice with great

economy of stored data, which is why this toy has been produced at such a low price considering what it can do.

Almost as crucial to this machine as its synthesizer is the large memory chip—indeed Texas is the only company with a 128,000 bit (binary digit) read-only memory in full-scale production. It is hardly surprising that the company has half a dozen world patents on Speak and Spell, and that it plans for continued development of this brilliant idea.

The next move could be the construction of a translation unit with speech synthesis. This could be very useful provided it gave something more than the straight word-for-word translation as provided by the 1,200 word "electronic dictionary" launched by Lexicon.

This could take the form of a limited degree of interaction between user and machine so as to avoid the more glaring mistakes of dictionary misuse.

But while Speak and Spell offers a limited degree of interaction—and children are quick to feel that there is give and take—ability to respond to the spoken word, and to vocalise a word fed into the keyboard would transform it totally.

But how far are we from such a goal? Quite a long way it would appear, though several hundred EMU-Threshold voice recognition computers have been sold and are operating in a number of industries.

For a machine to recognise meaning—and about 200 words and 120 concepts is about what is being achieved—is much more difficult than the synthesis of speech. It needs a mini-computer controller and a very complex decoder to do the job. At the same time, existing voice recognition can be trained only to one use and, even then, has to take an average sound pattern from ten repetitions of word or phrase during the training period.

However, the simplification applied to the synthesizer could well be matched by a simplification in decoding circuitry, though just when an engineer will have the required brainwave is anyone's guess.

There is progress. Nippon Electric's DP100 speech recognition equipment has a vocabulary of 120 words, recognises phrases and can be used by two operators. But the price is £39,000 which is a far cry from the £38 of Speak and Spell.

In the meantime, the work done to develop the synthesizer is being applied elsewhere—to make maintenance and control that much easier to carry out.

Interested

That there is a ready market for educational equipment is underlined by the fact that the "Little Professor" introduced by Texas Instruments three years ago saw its sales go up six times in 1978 and expectations that they will double again this year, though this is a much simpler unit than the spelling device. It is, however, programmed to teach a child the multiplication tables—something that too few primary school teachers are interested in doing at present.

Which brings us to the schools where manufacturers have found a ready market for the simpler scientific despite the lack of uniformity in the approach to the matter by the various examining boards.

Meanwhile, equipment derived from calculators is steadily creeping up on the teaching profession at all levels. Properly handled it could mean a considerable reduction in the burden imposed on a frequently criticised section of the community as a consequence of the vast changes in the educational system.

Ted Schoeters

GCE exam boards differ over rules

AT MORNING prayers in the school examinations season, candidates for Advanced-level GCE mathematics papers used to stand elbow to elbow with their pockets looking like a posse of Western gunfighters. Numerically capable entrants even for the Ordinary-level exams could be seen sprouting rolled-up red-backed booklets of logarithmic and other functional tables.

Those memories from the 1960s show that aids to calculation have long been allowed for relevant papers of the major national examinations. As they await the dread hour today, however, the numerate groups would look less like Western gunfighters than secret-service agents. Only slight or rather larger bulges of the pocket would hint at the handiness and relative calibre of their electronic calculators.

Yet, despite the increasing numbers of people who possess calculators these days, their use in major examinations is still subject to variations among the examining boards. Of these, there are eight administering the Advanced and the Ordinary levels of the General Certificate of Education, and 14 administering the "alternative 16-plus"—the Certificate of Secondary Education—in England and Wales.

Variations

There is another board for the Scottish Certificate of Education, with the Northern Ireland Schools Examination Council making up a round two dozen.

Such a number of separate bodies, and so many possible punctilios about whether or not calculators are allowable for this or that section of that or this paper, mean that the detailed variations in permitted practice are probably, well, incalculable.

Indeed, attempts to survey and clarify the variations are frequent—to the extent that examining board officials can be heard complaining about the number of questionnaires they receive. But none so far seems to have been conclusive. One reason may be that examining practices change over time, and not always towards the permis-

sive. Some boards which started on the side of liberality are now becoming more restrictive.

As a general rule, however, the different examining bodies' regulations appear to be shaped by two main principles.

The first is that, since calculators are not stocked by the education system for issue to every pupil taking relevant subjects, the examination papers must not offer any significant advantage to an electronically-equipped candidate over another using a slide-rule or only mathematical tables. Or, at lower academic levels, over those possessing only pencil, scrap paper and memorised formulae.

Among examiners of mathematically-based papers in the more academically stringent tests, such as the GCE A and O levels the typical belief seems to be that adequately fair chances for all can be achieved provided that papers are designed accordingly.

Some GCE Boards still insist, for instance, that candidates note on their paper which kind of calculating aid has been used. But the main safeguard of fairness at both A and O level, is evidently the requirement that candidates must show not only their answer, but also the detailed workings by which they have reached it.

This attachment of greater importance to examiners' demonstration of scientific understanding than to their computational accuracy—which is by no means new—is thought to remove any significant advantage from candidates with calculators.

In some boards the dependence of crucial marks on the showing of workings, such as how a standard deviation has been calculated, has persuaded the examiners to allow the use even of programmable calculators. And within the general principle of fairness to all, electronic aids have also extended piecemeal into subjects like book-keeping and the principles of accounts, and the numerate sections of economics and geography.

The second main principle which appears to shape the different examining bodies' policies is that the use of cal-

culators should not be allowed to cloak, and thereby tacitly to encourage among school children, weaknesses in the basic skills of numeracy.

Candidates in the opposite papers of the more academically directed 16-plus exam of GCE O-levels are still largely assumed to be able to add, subtract, multiply and divide in their heads, and even to know their multiplication tables at least as far as 10 times 10. But even in O-level papers calculators can still be banned from sections dealing largely with basic skills.

Here, though, the trend is evidently towards flexibility. An example is the Joint Matriculation Board's three-paper test for GCE O-level in commercial maths. In the case of the most basic of the three papers, schools can choose to submit their pupils either to a "strictly no calculators" version, or to another in which their use is allowed.

The main reason for the second version is that it permits the setting of questions of the type which actually occur in the commercial world. The resultant realism is thought to induce greater "motivation" in children whose interests tend in directions other than the purely academic. And since such children are now less likely to be entered for O-levels than for the less scholarly 16-plus, the CSE, the pursuit of motivational realism is an important influence towards permitting increasing use of calculators in CSE exams.

Reason

With the change to metrication, for example, there is no longer good practical reason for children to be taught to multiply and divide in their heads by numbers greater than 10. But in real-life aspects of academic subjects, such as electricity as part of physics, multiplications or divisions by numbers such as 240 or 13—the standard voltage and strongest fuse normal in British households—are still required.

Even so, there are strong opposing arguments that restrictions on the use of calculators should be maintained in CSE and in the less academic levels

of the unified 16-plus examination system, which may replace the present dual exams in the later 1980s.

One such argument springs from the general principle of fairness. The GCE examiners may be convinced that the availability of fast electronic calculators may confer no significant advantage at the relatively high levels of academic ability represented by entrants to Ordinary and Advanced levels.

Evidence

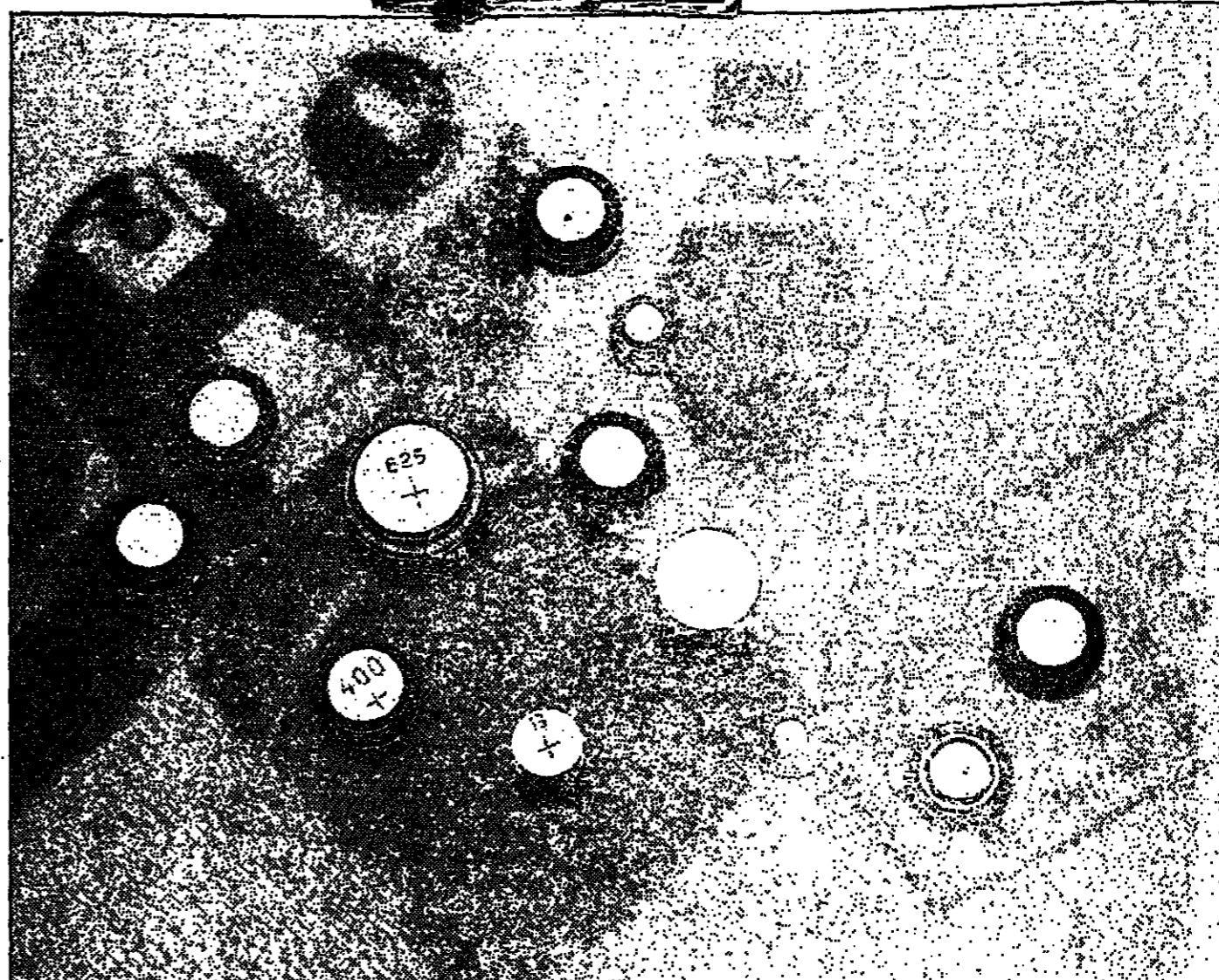
But in CSE there is some evidence that, while the use of otherwise of calculators makes no important difference among the least able groups of examinees, the most able CSE candidates with calculators tend to do considerably better than those without them. So until the day when the education system can afford to provide electronic aids to children too poor to afford their own, as it already does with school meals, there is a need for caution on grounds of equity.

But an argument of at least equal importance arises from the principle of basic skills. A recent survey by the Government's Assessment of Performance Unit—which is not to be published until after the General Election—indicates that an alarming proportion of the nation's 11-year-olds are bereft of even the most simple, fundamental skills of numeracy.

If this rot is to be stopped, as it surely must be now that the understanding of information presented in numbers is becoming increasingly important in adult life, no element of the examination system can afford to offer teachers an easier alternative to the drudgery of driving the foundations of the third "R" into every marginally receptive young head.

In the case of the CSE exams at least, therefore, the only sensible rule for the use of calculators is that, unless a clear and positive reason can be shown for permitting them, they should be relentlessly banned.

Michael Dixon



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CALCULATORS IV

A modern aid to marine navigation

THE BASIC instruments for navigation used to be the compass, chart, sextant and chronometer used in conjunction with the Nautical Almanac, and other nautical and sight reduction tables. Today, the list should include the pocket calculator.

The development of the multi-function calculator has added another dimension to navigation for both large and small boats. Calculator technology increases in leaps and bounds and the gap between a calculator and a computer is ever decreasing. The former attitudes of seamen, both professional and amateur, are changing as the full capability, limitations and reliability of advanced scientific calculators become apparent.

By now, calculators should be much more popular with seamen, especially yachtsmen, than they appear to be because they have such tremendous capability to assist navigators in their task. Calculators can perform many useful navigation tasks not only at the planning stages of a passage, but also during navigation at sea. And they provide a valuable check on the accuracy of conventional calculations.

The potential UK market is a large one since there are 20,100 merchant and fishing vessels, and at least 120,000 yachts and motor cruisers of which 26,000 are known to be located in the coastal area between Chichester and Poole. These are conservative estimates; nobody knows the exact numbers because not all craft are required to be registered.

There are 40,000 deck officers in the merchant marine, some 20,000 of which are active in navigation. Additionally, there are at least 137,000 yachtsmen divided roughly into 500,000 engaged in coastal cruising (including motor cruisers), 200,000 racing in inshore waters, 20,000 in offshore cruising, 15,000 in offshore racing and 2,000 in powerboats and powerboat racing.

Why has such a big market, in Britain and worldwide, been so slow to develop? What has gone wrong? There are several reasons, the most important

being the user's level of skill and the lack of adequate software.

Manufacturers have launched a never-ending stream of increasingly complex hardware which can handle almost any navigation problem with ease, but without taking full account of the experience, capability and type of operator. The majority look on a calculator simply as a tool to use without having much interest in the way it works.

Manufacturers appear to miss (or ignore) the fact that the majority of seamen, whether professional or amateur, do not have the time, inclination or capability to produce their own navigation programs. They are not program writers but simply require fast accurate answers to their problems coupled with ease of use. This type of operator is by far and away the predominant user.

The only manufacturers of navigation software are Hewlett-Packard and Texas Instruments. Both are American companies which adopt U.S. navigation terminology and units of measurement which are not entirely suitable for the European market. Software is designed by computer experts with little knowledge of navigation or understanding of users' requirements. The resulting programs are often too complex or inflexible for practical use. In other words, manufacturers require better advice on user requirements than they appear to be obtaining. Both these points require urgent rectification.

Potential

For example, Hewlett-Packard produces the HP67/97 calculators which are probably the best available for navigation today, but have a relatively poor Nav-Pac (program backup) of little use to yachtsmen and only of limited value to professional seamen. In my opinion, the company has yet to recognise the market potential and appears somewhat complacent and unwilling to take action when software deficiencies are pointed out.

It is worth mentioning that a further 104 navigation programs submitted by HP67/97 users can be obtained from the HP Users' Club in Geneva to supplement the Nav-Pac. However, these programs vary in quality. On the credit side, Hewlett-Packard produces excellent owners' handbooks, has a support section to answer customer queries and guarantees spare parts or repairs for several years after production of a model has ceased.

Texas Instruments has produced a more comprehensive and balanced Nav-Pac for its TI58/59 model. It is strictly conventional, offers nothing new and lacks original thought. Unfortunately, the programs do not do full justice to or exploit the full capability of the TI59 having been designed for the earlier SR52. Texas has produced the best set of navigation programs so far and appears to have a better understanding of market requirements. The company listen to criticism and I have little doubt will incorporate substantial modifications and improvements to programs in the future.

In general terms, cheaper calculators may give identical results to the more expensive machines, but with many more key operations, so increasing the workload and the possibility of error. Calculators are best at solving the more complex navigation problems which would otherwise take a long time to work out conventionally or which perhaps would not be undertaken because of their complexity. Suitable calculators offering adequate program and memory capacity are limited in number and unlikely to cost less than about £80.

The navigator wishing to solve most of the common navigation problems can use a purpose-built calculator with built-in programs. He must accept the limitations imposed as he cannot vary the programs or method of operation. In this case, he can do no better at the moment than buy the new Tamaya NC-77 costing about £170 which requires little understanding of calculator operation. Its simplicity of operation, coupled with speed and accuracy, make it a delight to use.

Another specialised calculator is the Plan Navcomp, costing about £765, which is programmed for celestial navigation and includes a built-in almanac for the sun, moon, Venus and stars to the year 2048. It has not been possible to evaluate yet because the manufacturers have not provided the UK agent with a demonstration model, but it appears to be extremely expensive for what it does.

For the more adventurous navigators, all scientific calculators in the Hewlett-Packard range are particularly suited to navigation. They range from the simple HP32E costing £50 to the ultimate for the professional navigator, the HP67 at about £270 or the HP97 with print-out costing £450. The HP29C model has a valuable facility

for yachtsmen — continuous memory. This means both the program and data entered are retained when the calculator is switched off.

Suitable calculators in the Texas Instruments scientific range are the non-programmable TI51-3 costing £32, the programmable TI57 costing £27, the TI58 at £73 and the TI59 costing £184. These machines are the only ones to include Polar to Rectangular and degrees-minutes and seconds to decimal degree conversions, both of which I regard as essential for navigation. Unfortunately, the PC100B print-unit cannot operate from a yacht's 12V DC power supply, thereby losing a valuable facility.

Knowledge

So what type of navigation problems can calculators solve — especially for yachtsmen. I say especially yachtsmen, because we don't all undertake navigation as part of our day to day routine, so lack of regular practice and units of measurement prevent us from undertaking the more complex calculations.

Calculators such as the HP67/97 or TI59 can undertake almost any required calculation ranging from simple coastal

navigation through to advanced celestial navigation from sight to fix without using the Nautical Almanac or other tables; worldwide tidal prediction using harmonic constants producing hourly heights of tide; fixing position by D/F bearings from marine radiobeacon networks; magnetic compass swinging and compass checks by sun azimuth without almanacs, to a variety of advanced sailing and tactics for racing.

In summary, navigation software seriously lags behind the capability of advanced calculators now available. The responsibility for the provision of the right type of programme squarely on the shoulders of the manufacturers, who will need to seek outside assistance to produce the right package.

The assembly and production of navigation software is an expensive and time consuming process, so compatibility of software between old and new calculators may be more important in the future. The user will have to pay substantially more for the right programs than he does at the present time. A large and valuable world-wide market is waiting for the time when the Nav-Pac matches the capability

of the modern calculator. This would be of enormous benefit to seamen, and especially yachtsmen.

Calculators, as a modern aid to navigation, merely reduce the time spent on tedious calculations. They can assist both professionals and amateurs in a variety of navigation applications, but education of the user is also required for the yachtsman to obtain maximum benefit. Programmable calculators reduce the possibility of incorrect input by reducing the number of key operations. To buy unsuitable machines for the task wastes both time and money. Calculators will never replace navigation knowledge or techniques, nor will they make a good navigator of someone who knows nothing about the subject, but they do improve accuracy, take the drudgery out of navigation and awaken interest in the subject. They may also tempt users to try new calculations which they might otherwise ignore.

Basil D'Oliveira

The author, a pilot, works in the Flight Operations Inspectorate of the Civil Aviation Authority and is a leading consultant on the uses of calculators for marine navigation.

Knack of finding right products

BIORHYTHMS are something that a number of influential people believe in just as some believe in astrology.

For many years medical and psychology teams have investigated the interaction for each individual of his or her physical, emotional and mental make-up, each of which are believed to run in cycles of differing lengths — 28 and 33 days respectively. This poses a nice little mathematical problem of predicting when the owner will be at a peak or at a low ebb.

Calculators for biorhythms are selling at around the £30 mark. Many sportsmen now would not be without their "little black box" to plan their training programmes, though, what they do when the black box says they will be at a low ebb on the day one or other Olympic Games final is held, is open to conjecture.

Interesting is the ability that several of these calculators have, including those of the Kosmos series made in the U.S. to determine for two people how compatible they are.

Applied to leading politicians it will come as no surprise to read that the machine says Mrs. Thatcher and Mr. Callaghan are only 43 per cent compatible. Mrs. Thatcher, and Mr. Murray, only an ominous 21 per cent, but Mr. Murray and Mr. Callaghan a thumping 100 per cent.

But biorhythms are taken very seriously in Japan and have been studied extensively by British Rail.

It may be possible, without too much homework, similarly to programme cheap machines for each sign of the Zodiac, allowing for variants dictated by birthdays. Any manufacturer who does that is assured of a good market provided predictions are around 80 per cent accurate (like, say, the daily weather forecasts).

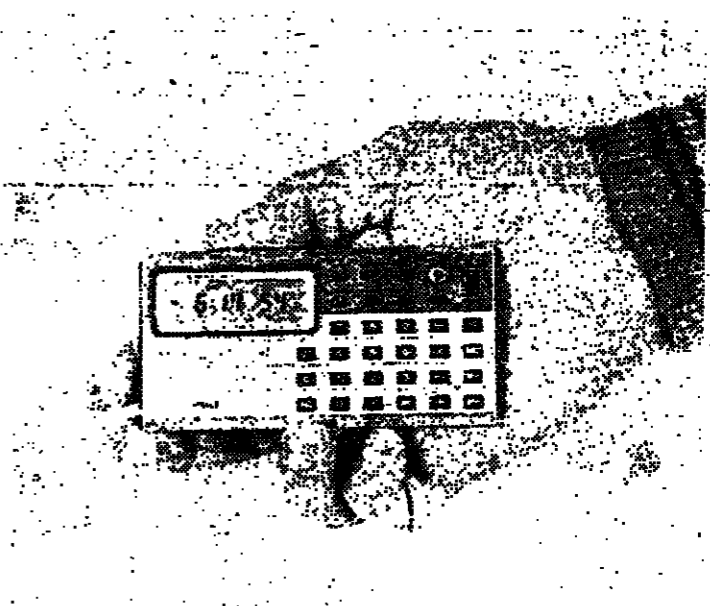
However, like weather forecasts, astrological prediction of events tends to be unreliable and more useful simply as a guide to what you should, or should not, be doing — as biorhythms are said to be.

Trends

Professional astrologers increasingly use computers to forecast trends for clients, and computers fed the correct birth data also are able to turn out a four- or five-thousand-word character analysis which is revealing to say the least.

So advanced calculators with print-out facilities — at the right price — could become popular, and perhaps more useful, than the Star Sign columns in newspapers and magazines.

Meanwhile, what the business and industry user wants can be summarised under one heading — ease of use. But this single heading covers a multitude of omissions and commissions by the manufacturers. For instance, Hewlett-Packard calculators are more fragile than many calculator buyers had expected. I know of one instance where a credit-card calculator collapsed because of the ingress of air into the liquid-crystal array though the unit had been used not more than three times. Nor had it been subjected to extremes of heat or cold, sharp shocks or any of the misadventures that could have caused failure.



Intriguing new models which do more than calculate and tell the time include the Casio Melody Card M-50 which will repeat a melody picked out on the keys

What many users of liquid-crystal display calculators do not appear to know is that the supplier, provided he has the back-up services that he should have, ensured before beginning to trade, can replace a display in about five minutes — seven at the most. So display failure is not the end of the world, though it could be the end of a great friendship with a merchantiser.

Of course, a user wants a machine that will perform day in, day out without any problems: don't we all? So it makes sense to buy equipment that does not rely entirely on replaceable batteries and can be mains-powered.

Where machines are constantly used under artificial lighting in offices, staff tend to prefer bright arrays which overcome the glare of fluorescent lights and, until a more clearly visible version of liquid crystal becomes available, makers would do well to bear this in mind.

Some users have eye defects which make LED displays confusing to read — and Sinclair did not improve matters by putting a purple screen over its red LEDs in the Oxford series of machines.

So there is scope for another type of display, less rigid in layout than liquid crystals and as bright as the popular green displays but absorbing only the tiny trickle of power that the liquid crystal takes.

Commands

One extremely useful feature that many users would welcome, particularly those who need to operate programmable machines, even infrequently, would be a "Help!" or "Where am I?" button. This could be made to have the machine recapitulate the last several commands, or perhaps the major headings in a series of computations.

Perhaps this could be provided by means of magnetic card recordings in a manner similar to that employed to drive the big Hewlett-Packard and Texas Instrument programmable machines.

Falling this there is, of course, the miniature printer.

now so reduced in size by at least one Japanese maker that is almost small enough to be part of a true "pocket" calculator. There is no real reason, other perhaps than complexity, why some form of solid-state driven thermal head printer could not be incorporated into slide-rule machines, working possibly from a cassette of strips.

Answer

Many manufacturers would disagree that there is scope for the inclusion of a printer or hand-held models. But watch any inquirer or businessman carrying out a calculating routine and nine times out of ten he will need pencil and paper to follow the operation through, or at least jot down intermediate results.

Possibly the answer is the old one that electro-mechanical equipment cannot be made anything like as reliable as electronic units, and what dealer or maker wants a high incidence of repairs?

The final solution will be the advent of the small, flat diode screen, mentioned elsewhere, able to display much of, if not all, the steps in a sequence of work. How this small screen will dovetail with the driving keyboard and the remainder of the electronics will be a severe test of designers' ingenuity. That, however, has not failed yet and within perhaps three to five years such equipment could be a commonplace.

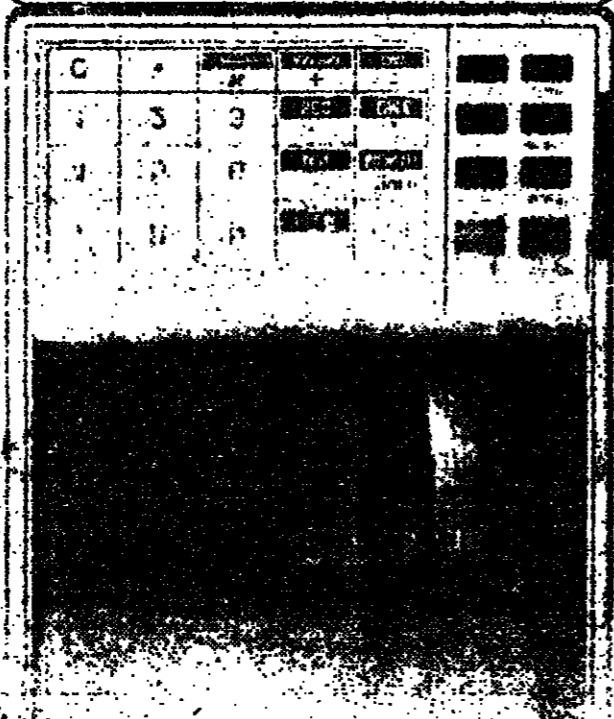
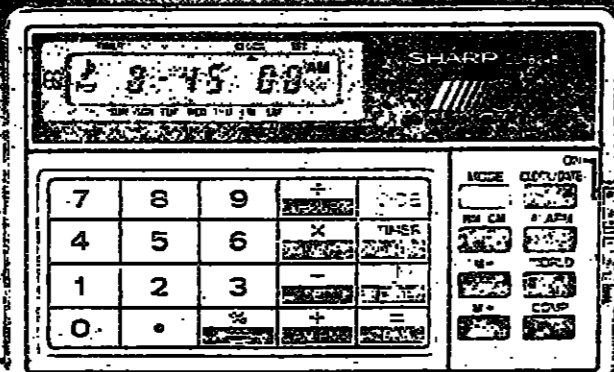
It would be nice if the machines could be made completely modular to permit home repairs. But that is probably too much to hope for.

Finally, a plea that is often made but rarely listened to: Users would welcome simple, clean operating instructions written not by calculator experts but by people with writing ability who have recently been trained to use a machine. Far too many manuals are still written in either electronic gobbledegook or in fractured English, up with which people are not prepared to put.

T.S.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Jason Crisp looks at the thorny problem of standard of living comparison, and finds managers are underpaid not over taxed

Are British managers really worse off?

TAX HAS clearly been one of the central issues in the election campaign. Politicians are not so foolish as to exclude any potential voter from a promised tax cut, though they may have very different views about which sector of society is particularly hard done by.

It has been stated so often, by so many, that managers are both overtaxed and underpaid that it has become the accepted wisdom for most people. The comparison is made with the managers' Continental colleague, who appears to be coming it. And because the British manager is so badly off, the argument goes, he is poorly motivated. But is he actually worse off, and if so by how much?

There is unfortunately only one certainty in comparing the relative economic power of groups of people in different countries—and that is it is a very crude comparison indeed.

The measurement of differences in standards of living and purchasing power is most inexact because of a host of variables, many of which are impossible to measure anyway. As one management consultant specialising in executive remuneration puts it: "It's not a science at all—it's an art."

Criticism

One of the reasons that British managers appear to fare so badly compared with other countries is because such comparisons usually ignore differences in cost of living. Because the UK is a low-cost economy compared with the rest of Europe and Japan, the British manager will be paid less—he does not need as much, by exchange rate comparisons, to have the same purchasing power.

As a result comparisons of tax rates are of little value. Because British managers do not need to be paid as much as their European colleagues to maintain a comparable standard of living, they do not become

liable to the top tax rates which prompt so much criticism. But this is only the beginning of the problem in making international comparisons of purchasing power, let alone standards of living. For a start, "cost of living" is a notional concept anyway. It differs greatly between countries, between regions and even within a town depending on the care and time put into shopping and whether you buy from a supermarket or a corner shop. Then there is the difference in spending patterns. An example is the Frenchman with wine on the table at every meal. If that element is counted in the cost of living of a Swede he would look much worse off—wine being much costlier—unless account is taken of variation in spending patterns, influenced as much by culture as prices.

One could even consider the relative benefits people receive from having paid their taxes. An obvious example would be that in some European countries there is no need to make separate provision for medical and dental care, whereas in the U.S. costly insurance is necessary.

Another factor is the different strengths of the different economies. After all there is a certain logic in saying that the greater the strength of the economy the better paid will be its members. But there is a problem of applying this to comparisons of managers' earnings, because of the variation in structures of earnings. For instance in the less advanced Western economies, like Spain, the differentials between top management and average earnings are high while tax is low, compared with more advanced and often more egalitarian societies, like the Scandinavian countries.

Although it is well known that UK marginal rates on earnings are high and also rise very steeply, it is not so widely recognised that a number of European countries levy a

wealth tax, some at a fairly low level—such as Finland, the Netherlands and Switzerland. West Germany too has a wealth tax but France and the U.S. don't.

In order to make a broad comparison of the relative standards of living of the British manager with his equivalent in 13 other countries two organisations have prepared indices of his relative purchasing power. The first is by Management Centre Europe and was prepared by Inbucon/AIC, the management consultants. The two are not directly comparable because each organisation has used different cost of living adjustments. MCE have used seven indices adjusted to a single base, Inbucon has used its own index which includes the cost of housing. The variation in international "cost of living" indices is a good guide to the lack of accuracy in international comparisons.

Both surveys show a broadly consistent pattern. The British senior manager or chief executive is apparently better off than his counterpart in Norway, Sweden, Finland and Ireland and about on a par with his equivalent in Denmark.

But compared with the UK the senior man in Germany, the Netherlands, Italy and France appears to be anything from 15 to over 50 per cent better off in terms of purchasing power. The American and Spanish appear to have almost double his pur-

Better paid

chasing power.

This may appear dramatic enough but it is not quite all it might seem to be. Take the Swede with his surprisingly low purchasing power due to the country's high wage-high cost of living—and very high taxation. Anecdotal evidence would not suggest that Swedish managers are in poverty. One reason for that may be because interest on all loans are tax allowable and therefore there is a considerable incentive for the Swede to borrow to the hilt and buy capital goods like a yacht, second car or country home. On the other hand the Swedish manager would be unlikely to afford so easily food or drinks which would more likely be taken for granted in other countries.

Throughout the position of the Swede portrays the inevitable limitations of such comparisons. By many methods of comparison Sweden is one of the richest economies in the world.

One of the most obvious distortions affecting the UK manager's position in the league is the non-financial element of the remuneration package—"perks". Again international comparisons are far from definitive but British managers appear to top the league—some experts estimate the senior manager's non-financial benefits could account for 30 per cent of his total remuneration. For instance, the company car is almost universal for senior managers in Britain, but then it is common practice in France and Germany as well. Some remuneration experts are saying that European countries are far making ground on the UK as regards fringe benefits.

Given that, how does the UK manager's purchasing power relate to economic performance? Using the same cost of living adjustment to the Gross Domestic Product per head as was used to adjust the senior managers' purchasing power means that a crude comparison can be made.

It shows a pattern which, although somewhat erratic, does

not put the British manager greatly out of position—that is ninth in the league while in purchasing power, which is broadly in line with the country's position for cost adjusted GDP/head, where it falls tenth.

But the purchasing power of the Swedish and Norwegian managers does not reflect the comparative economic performance of the two countries. Looking at GDP/head (cost adjusted) Sweden is at the top of the table, equal first with the U.S. and Switzerland, yet their managers have apparently one of the lowest purchasing powers—reflecting the egalitarian nature of Swedish society?

On the other hand Italy and Spain are among the lowest for GDP/head while their managers have a comparatively strong purchasing power.

Taxman's cut

It is also noticeable that the percentage by which the purchasing power of other countries' managers exceeds the UK is greater than that by which GDP/head exceeds the UK—indicating that perhaps the British manager has a smaller share of the cake than others. The contrast, however, is nothing like as great as it is for Norway and Sweden.

Because of the very high marginal rates of taxation in Britain—exceeded only by

TAX		TAX		PAY		PAY	
1977 percentage deduction of tax and social security		1977 percentage deduction of tax and social security		1976 net pay, cost of living adjusted		1976 net pay, cost of living adjusted	
SENIOR EXECUTIVE, FINANCE, MARKETING OR PRODUCTION EARNING £10,000 p.a.		EQUIVALENT TO BRITISH EXECUTIVE EARNING £10,000 p.a.		CHIEF EXECUTIVE UK - 100		SENIOR EXECUTIVE UK - 100	
19%	SPAIN	15%	FRANCE	222	US	184	FRANCE
20%	FRANCE	17%	SPAIN	214	SPAIN	176	US (New York)
22%	UK	22%	ITALY	163	ITALY	167	SPAIN
22%	IRELAND	23%	SWITZERLAND	153	SWITZERLAND	158	BELGIUM
23%	US (West Coast)	23%	US	147	FRANCE	154	SWITZERLAND
26%	W. GERMANY	27%	BELGIUM	129	W. GERMANY	151	W. GERMANY
26%	W. GERMANY	28%	W. GERMANY	117	BELGIUM	143	NETHERLANDS
27%	SWITZERLAND	28%	UK	102	DENMARK	134	NETHERLANDS
29%	NETHERLANDS	32%	IRELAND	100	UK	100	DENMARK
30%	US (New York)	33%	NETHERLANDS	92	NETHERLANDS	100	IRELAND
41%	BELGIUM	43%	DENMARK	74	IRELAND	91	IRELAND
43%	FINLAND	48%	FINLAND	61	SWEDEN	88	SWEDEN
48%	DENMARK	55%	NORWAY	60	FINLAND	82	FINLAND
51%	NORWAY	70%	SWEDEN	52	NORWAY	79	NORWAY

Sweden—it is easy to assume that the British manager takes home less of his pay than his equivalent overseas. This is true if you compare high levels of pay, but ignore actual differences in pay for comparable jobs and the differences in purchasing power.

For example someone earning £35,000 a year in the UK will only see about 40 per cent of it after the taxman has taken his cut. Yet in France—where direct taxation is lowest of the countries being compared—the equivalent gross salary would be about 320,000 francs of which he would retain nearly 80 per cent.

This ignores several factors. First, most UK managers do not remotely represent this example—very few executives earn £35,000. When looking at the tax 'take' at the levels most managers are actually paid the picture is different. The second problem is that it is not comparing like with like as it is not taking into account substantial differences in cost of living.

A fairer comparison is to compare job with job or purchasing power with purchasing power.

Comparison by job throws a completely different perspective onto the amounts paid in tax and social security between countries. Take the senior executive in production, marketing or finance in a medium sized company in the UK

earning £9,800 shown in the illustration.

In the UK he retains fractionally less than 73 per cent of his gross income: a figure which is only bettered by France and Spain. All the other countries in this comparison took a greater percentage of gross income in tax and social security and the 14 country average net income is 63 per cent at this job level.

£10,000 is a rather more typical salary for a manager than is £20,000.

Yet even if most British managers face no harsher taxation than do their colleagues in other Western countries it would appear that they feel they do. This might be because chief executives of the larger companies complain vociferously about high taxation—and at their levels of salary £50,000 plus they are indeed taxed at a very high rate.

Muddy waters

In these muddy waters of international comparisons few things are clear but it is probably safe to venture one or two generalisations. One, straight salary or tax comparisons are almost meaningless without adjusting cost of living adjustments. Two, given that cost of living indices are open to wide variation, it is still possible to say that a British senior manager's purchasing power is on the low side although this is compensated to an extent by higher fringe benefits. Three, if he is worse off it is because he is underpaid rather than overtaxed although once the pay element changes greatly so tax quickly accelerates faster than in other countries.

It should be pointed out that the £10,000 level in the UK gives one of the most favourable results, at £20,000 per annum the picture would be rather different. But that should not draw from the fact that

Sources: Top Management Remuneration, Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium. Survey of Remuneration Policies, Europe and International Taxation and Living Costs by Inbucon/AIC, 197 Knightbridge, London. Employment Conditions Abroad, Devonshire House, 13 Devonshire Street, London W1.

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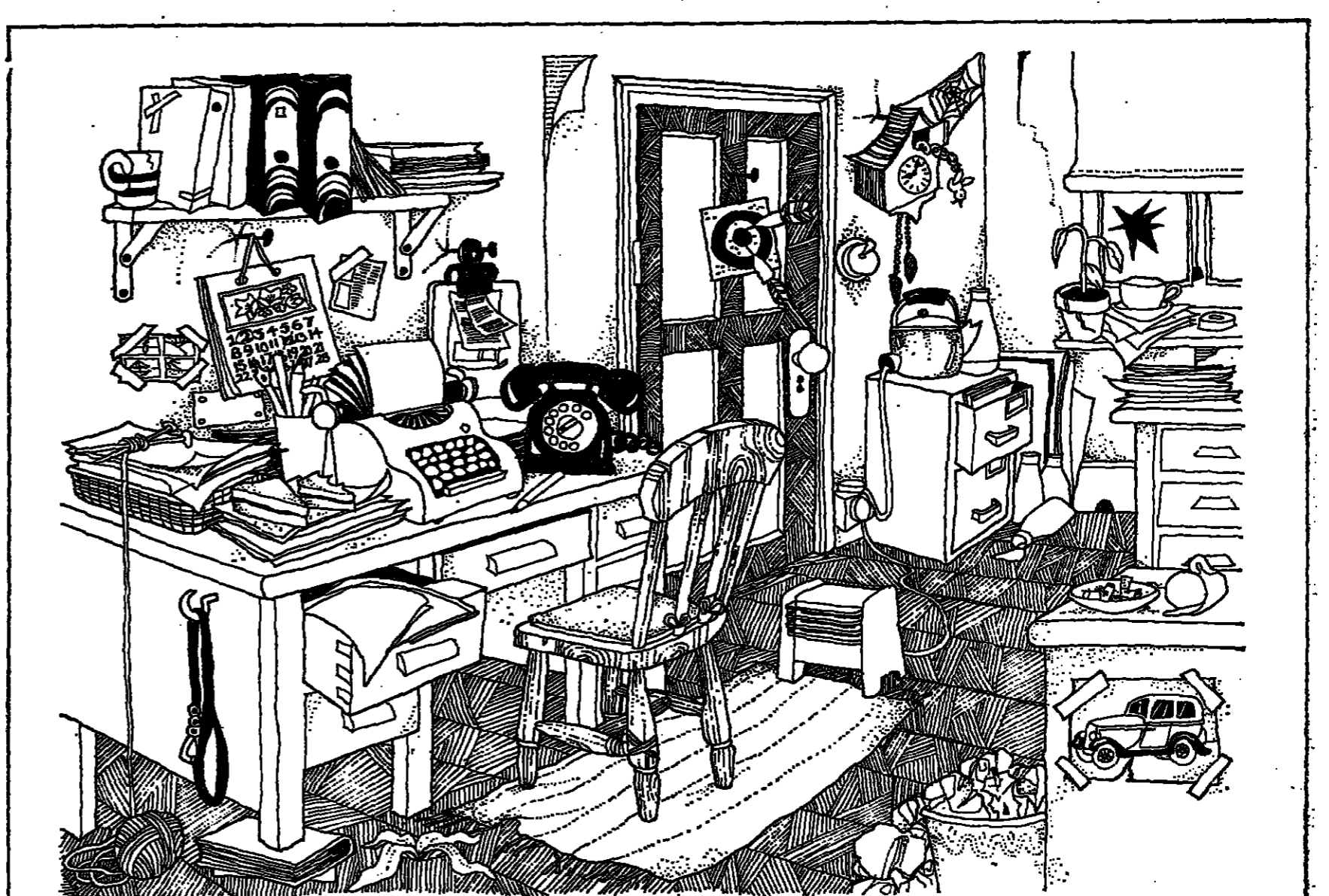
BUSINESS PROBLEM BY OUR LEGAL STAFF

Revaluation of land

More than 70 per cent of the shares in a company of which I am a shareholder are owned by one family. The company's property includes some building land worth far more than the figure at which it appears in the books, and which the directors refuse to revalue. Consequently, I fear the shareholders will be offered a figure for their shares before long which is well below their true worth. Can anything be done to compel a revaluation?

You would have no means of compelling the company to revalue the land; but might in practice secure a revaluation on a sale of shares if the Articles of Association enable a minority shareholder to sell his shares at a valuation based on the assets of the company.

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LOMBARD

Measuring the tax bite

BY NICHOLAS COLCHESTER

A LOT of stress has been laid upon tax cuts during this election campaign. They are the beginning and end of the Tories' virtuous circle: lower tax rates lead to more national income and more national income leads to lower tax rates.

In the Californian tax rebellion this belief was embodied in the "laffer curve"—a graph of tax revenue in the shape of a parabola. It was built upwards from the two solid assumptions that a zero tax rate and a 100 per cent tax rate would both produce no tax revenue. It rose to an indefinable high point somewhere in between.

The curious thing is that the British have only an approximate idea of how much tax their business leaders are paying. Certainly, punitive tax rates come into play at levels of taxable income that look miserably when compared with those in other industrial countries. The outward trickle of show-business and business talent is proof that a better deal is available elsewhere.

Actual rate

But it would be most useful to know what actual rate of tax is paid by people in each income strata in this country. Such information would not be derived from the tax assessment tables but from the Inland Revenue's computer records. It would take the gross personal income of each tax payer, in a large representative sample, and show the tax percentage he paid after making use of all the tax dodges, allowable deductions and deductible allowances normally available to a man of his wealth.

The table below from the Revenue's 1977 statistics is an example of precisely what I do not mean. Though it is based on a survey and not tax tables, some early instinct tells us that businessmen earning more than £100,000 a year take home rather more than 13 per cent of their pay. The problem is that the pretax income in each range is struck after allowable interest, capital allowances, pension scheme payments and other allowable deductions—everything in short which would

have been subtracted to reduce taxable income in the first place. For a table of genuine tax rates would do good in two contradictory ways. It would, first, reassure the aspiring but fringing executive that there is still something to go for. I suspect that incessant discussion of penal tax rates, backed by the depressing official statistics presented here, leave the businessman with the feeling that once he has reached the £11,000 mark his further efforts are best directed into home improvement.

On the other hand a true tax table would put top British salaries into an unchallengeable perspective. It is clearly nonsense for the leavers to attack at face value that extra £50,000 that the chairman which is revealed in the annual report and accounts. It is equally futile to defend his rise by applying standard marginal rates of tax. A true tax table would discount the best that the chairman's City advisers could come up with, and show his net pay rise for what it might typically be.

Such official tax statistics should also give a rather more detailed breakdown in the salary bands above the £12,000 level where, in the most recent statistics, they rapidly become so wide as to be useless. If the British businessman ever moved, as the table implies, in four easy bounds from £12,000 to £100,000, those days are now gone.

True picture

The number of taxpayers involved here may still be relatively small but they are of disproportionate importance to the economy. It is from here upwards that the battle between a quiet life and the risk and effort required for more pay are fought out. And one suspects that a particularly far financial curtail is required to keep the comfortably installed British businessman on the move.

Will the true tax picture ever be published? I fear not. For all its usefulness, my ideal table would also be condemned to become the definitive guide to performance in the tax avoidance industry.

THE AUTHORISED VERSION

Taxable income range	No. of Incomes	Income total £m	Tax total £m	Average tax rate %
5-10,000	143,000	1,262	415	33
10-12,000	64,000	717	270	38
12-15,000	56,000	745	320	43
15-20,000	36,000	608	298	49
20-30,000	30,000	645	309	48
30-50,000	2,600	166	129	78
100,000+	500	75.1	65.6	87

Figures derived from Inland Revenue Personal Income Survey 1974-75

Alpine heights in NWS

THE NEXT few weeks in the garden are dominated, for me, by alpine plants. European readers will smile at the British enthusiasm for one precious flower on a gentian while they themselves look out on meadows of several thousand a month later. A contented gentian, like a hung Parliament, is something which we fuss about, while everyone else takes it for granted. Yet the result is not unfortunate. It is possible to buy a far better range of alpine plants than you can find in proper clay pots, from British nurseries than from any others in the world. The month of May is the best moment for outsiders to see the point of such an alpine nursery. On those rows of small clay pots in the new frames, there are at least a few flowers to guide you through the inscrutable cushion-plants and stone chippings. You might find something pretty which the connoisseurs have missed once again.

It is important to realise that you do not need a rock garden. The rocks give good drainage to the plants and kudos to a certain sort of owner. A few special things have to be bedded vertically between stone for the winter months, so that the rain will run off their soft cushions of leaves but it is not necessary to build a fragment of the Dolomites in NWS in order to grow any of the plants which I would commend as excellent value to gardeners on any open

and well-drained site. Food and drainage seem to me to be the necessary conditions for plants from alpine meadows and mountain faces. Almost all alpine plants are fed too sparsely in captivity. Remember the cows and the clipped vegetation which stalk the upper pastures of alpine landscapes in nature.

GARDENS TODAY

BY ROBIN LANE FOX

Like many others, I have been very busy recently with the new small phlox called chatahoochee. Forgive its absurd name. It is an easy plant in a rich half-shaded spot. After two years I have turned one plant into a dozen by layering the running shoots and pressing them down with clips, stakes into the surrounding soil. They sprout roots at the points in their stems and can then be cut off from the main plant and potted up in their own right. I am aiming at a long run of this new variety as an edging to a large flower bed. It stems rise up to nine inches or so and bear the most charming open flowers of a pale periwinkle blue with a darker eye in May and June.

I was so unsure of my first plant, soon after chatahoo-

chee hit British shores, that I kept it indoors in a pot. Its flowers could be examined there as closely as they deserved. They are quite ethereal, lasting longer than a glorioxa or realistic houseplant. But white it took over and forced me to risk it outdoors. It has flourished there after an unpromising start and is shaping-

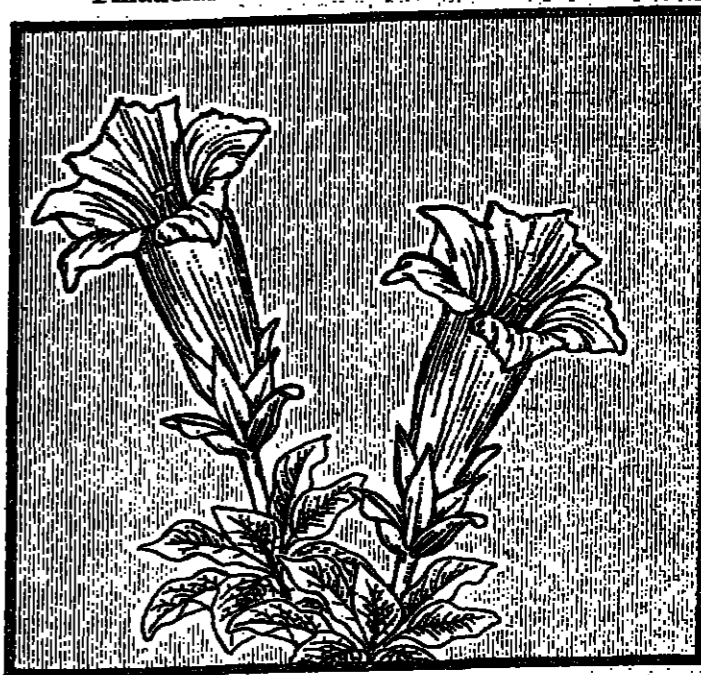
up for 30 flowers or more this season. A lightly shaded, cool place seems to be its taste. It has no weaknesses in winter. At 75p a plant, you can buy it from Ingwersens of Gravetye, East Grinstead, Sussex. One plant goes a long way. I would rate it as the best garden-plant to have come from the phlox family's alpine varieties.

The name alone will alert keen readers to my other new arrival, a small cousin of the common wallflower which is sold as *Erysimum Bowles variety*. Most of the late E. A. Bowles's plants are well worth a try, but this one has been late in coming to my notice. Its merit is the length of its season in flower, especially if you remove the dead flowers. It lasts throughout the summer, a splendid plant for a dry wall where it

will bush out, like the larger relations among wallflowers, and reward you with flowers of a lavender blue which are not flashy. This plant, too, increases quite readily from cuttings and seems to me to be a cheerful addition to any small front garden.

The same length of season marks out several forms of the true wild geranium, not least the excellent *ballerina*. This is listed among rock plants, but belongs in any garden which can use a carpeting plant in open soil. It flowers with me from May to August and can be increased at almost any season by pulling off the ends of shoots without flower buds and rooting them as cuttings. The flowers are lilac, but red and purple, pretty but not spectacular. It is one of those plants which are always useful. You can give it away with a clear conscience to visitors, knowing that it will not let you down. Too often, it is feared as an alpine and avoided for being difficult. In fact, it is at home anywhere, as an edging to roses, in a raised bed or along the top of dry walls.

So far, all my suggestions have lilac coloured flowers. I could add, therefore, that superb viola called *Eden* which multiplies freely from cuttings and flowers continuously in a shade of lilac-grey marked more deeply at its centre. Perhaps this taste for lilac is a fact about me, not



Gentiana scullia—a positive delight to lovers of alpine plants

about the particular merits of the colour itself. But *Eden* is a fine edging plant which you can fit in anywhere and trust to flourish. It is sold only in lists of rock plants, yet I cannot imagine that it needs rocks any more than the town from which it takes its name.

In May, then, I would advise any gardener to look into the best local alpine nurseries and follow his fancy even if he has no stone in his garden. Almost every strong campanula, deep blue *Gentiana septem fida*, pinks of all kinds, those perennials which have lasted the winter, thymes and many sun roses:

the best garden plants so far beyond colours like lilac or lavender. You cannot do better than buy them on sight from a nursery which grows them in something better than those light peat composts which are patronised for quick sales by nurseries who live on quick-turn-over. Those who would die quickly have died already in our recent head weather. For the rest, you can follow your eye, forget the rocks and reckon to buy a good garden plant, well able to flourish off a mountain. Alpines are mostly not plants for experts, still less for the Alps and nowhere else.

Shangamuzo looks like best bet of the season so far

MICHAEL STOUTE, who sees the 2,000 Guineas, in which he is represented by 40-40 chance, Hargreen, as a wide-open affair—although conceding that Kris "is the one sure to be there at the finish"—looks to be the trainer to follow at Ascot this afternoon.

Shangamuzo strikes me as the stand-out bet of the season to date in the Sagaro Stakes, and only a sudden deterioration in the going should prevent Greenhill God from repaying each-way support in the Autobar Victoria Cup.

It was on the corresponding afternoon a year ago that Shangamuzo gained what many at the time considered to be a huge victory when slaming Buckskin by a dozen lengths in the initial running of the Sagaro. Although foot trouble had, apparently, allowed Peter Walwyn to give Buckskin only one piece of serious work before the Sagaro (previously the Paradise Stakes) and that advantage coupled with ex-

tremely holding ground, may have contributed to Buckskin's collapse, amphetamines and subsequent events suggest that Shangamuzo would have won in any event.

Reappearing at York a short while after the Sagaro, Shangamuzo ran a fine race over a distance short of his best when going down to Smuggler in the 11 miles Yorkshire Cup. He again did well to finish second to the same horse in Sandown's Henry II Stakes, where I feel sure that the hard ground prevented him from gaining his revenge.

Those three races were followed in June by Shangamuzo's most important triumph of 1978 when Greenville Starkey, making full use of the Klairton colt's almost bottomless stamina and courage, successfully employed "can me if you can" tactics at Royal Ascot.

In the belief that Shangamuzo, who failed to score on his three subsequent appearances, is basically "a spring horse and one who put up a better performance when landing today's race than in the Gold Cup, anything short of a comfortable victory would surprise me. Nicholas Bill a gallant second, to Sofronoff

when trying to concede the Dunlop Colt over two stones in Klairton's amphetamines. Gray Queen's Prize, attempts to concede miles for the first time and looks to be the answer for forecast purposes.

Nineteen are due to line up for the Autobar Victoria Cup, and bookmakers who a year ago had things very much their own way with Private Line's 26-1 success, will again be looking forward to the race with a fair amount of optimism.

This time, however, I believe that backers will be on the mark for there are strong grounds for thinking that Greenhill God, backed from 10-1 to 7-1 on Monday, will provide the answer. Just in need of the race when making his seasonal debut in the one mile Playbox Bookmakers Newbury Spring Cup in which he finished a close fifth behind Brian's Venture, Greenhill God should be ideally suited by both the return to seven furlongs and the course.

ASCOT
 2.00—Letching Record*
 2.00—Shangamuzo
 3.05—Greenhill God**
 3.40—Wesley Chantler
 4.10—Pollifrom
 4.40—Pledge

RACING

BY DARE WIGAN

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TV/Radio

*Indicates programmes in black and white

BBC 1

9.28 a.m. Schools. 10.45 You and Me. 11.40 Schools. 12.40 pm News. 1.09 Pebble Mill. 1.45 Bod. 2.01-3.00 Schools. 3.55 Play

School. 4.20 Hair Bear Bunch. 4.40 Think of a Number. 5.00 John Craven's Newsround. 5.10 Rentaghost. 5.35 The Persiflers. 5.40 News. 5.55 Nationwide (London and South-East only). 6.25 Nationwide. 6.55 The Wonderful World of Disney. 7.50 Happy Ever After. 8.10 Accident. 8.40 News. 9.00 News.

F.T. CROSSWORD PUZZLE No. 3961

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	32	33	34	35

ACROSS

- Sunburn gets royal family the coup (5, 7)
- University man has no vote on Scots by (7)
- One quarter struck on day of festival (7)
- Silky stuff yields a loud deficit (5)
- Not a smashing way to serve subordinate member (8)
- Swart single beastly shed (5)
- Mean spring in good condition (5)
- The famous Mr. Arkwright (4)
- Way to close and send overseas for attachment (10)
- Former eastern member left artist to return model (6)
- Summer between 10 and 11 (8)
- Shoes on road (5)
- Sweet flavoured grown by a Northern Ireland family (8)
- Chariot could be in a stew (7)
- Barbarian training exercise bringing financial panic (3, 3, 4)
- Disorderly transition from S. American city to U.S. (7)
- Cartis bed fitted with paneling (8)
- Wound part of Air Force (4)

Sometimes without magician's staff in that case (3, 3, 4)

- Thorn brings book back (3)
- The others had a meal in express again (7)
- Trust husband to become a swindler (10, 3)
- Exuberance caused by brutally strong drink (6, 7)
- Unruly scene in part of zoo (4, 6)
- Spare part that was the making of Eve (5, 3)
- Working consumed by recumbent person (7)
- Source of poetic inspiration in Chile on reconstruction (7)
- Prize oneself about writer outside (5)
- Keep quiet over exclamation by former ruler (4)

Solution to Puzzle No. 3960

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	32	33	34	35

11.25 String Quartet Op. 135

by Beethoven; the Amadeus Quartet.

LONDON

12.00 Rupert Bear. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News. 1.20 Thames News. 1.30 The Day After Tomorrow. 1.45 Noon Plus. 1.50 About Britain. 2.00 News. 2.15 The Day After Tomorrow. 2.30 News. 2.45 Extraordinary. 3.15 Makin' It. 3.45 News. 4.00 Thames At Six. 4.25 Help! Face that in. 4.35 Crossroads. 4.50 Don't Just Sit There. 5.00 Coronation Street. 5.15 Nurse of the Year. 5.25 National Final 1979. 5.40 Out. 5.50 The Big Question. 6.00 Out. 6.10 The Big Question. 6.20 Out. 6.30 The Big Question. 6.40 Out. 6.50 The Big Question. 7.00 Out. 7.10 The Big Question. 7.20 Out. 7.30 The Big Question. 7.40 Out. 7.50 The Big Question. 8.00 Out. 8.10 The Big Question. 8.20 Out. 8.30 The Big Question. 8.40 Out. 8.50 The Big Question. 9.00 Out. 9.10 The Big Question. 9.20 Out. 9.30 The Big Question. 9.40 Out. 9.50 The Big Question. 10.00 Out. 10.10 The Big Question. 10.20 Out. 10.30 The Big Question. 10.40 Out. 10.50 The Big Question. 11.00 Out. 11.10 The Big Question. 11.20 Out. 11.30 The Big Question. 11.40 Out. 11.50 The Big Question. 12.00 Out. 12.10 The Big Question. 12.20 Out. 12.30 The Big Question. 12.40 Out. 12.50 The Big Question. 1.00 Out. 1.10 The Big Question. 1.20 Out. 1.30 The Big Question. 1.40 Out. 1.50 The Big Question. 2.00 Out. 2.10 The Big 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Television

Only the best for the children

by CHRIS DUNKLEY

Children's programmes sustain some of the highest standards on British television. Of course there are exceptions. BBC1's new series What Do You Watch Limped off to an embarrassing bad start with different parts moving away in different directions on Friday. A collection of clips including some of sport but mostly from television game shows and quizzes was followed by a series of questions entirely about sports. Moreover it was clear that most of the children in the studio had only the faintest idea of what Toni Arthur and Paul Burden were driving at. (The supposed effects of television). The series can only improve.

And there are a few programmes such as Cheggers Plays Pop (BBC1 again) which are busy turning Reithian philosophy upside down and seeing how far below the expectations of the viewers they can aim. Yet the generalisation remains true: that the bulk of children's programmes are consistently good. That has been noted several times in this column, starting long ago with praise for Play School, Trumpton, Comberwick Green and the like, and progressing over the years to admiration for Blue Peter, John Craven's Newsround, How and so on. The reason for the progression is no doubt pretty easy to guess: where children's programmes are concerned the critic sees most of whatever his own children happen to be watching, and since mine are now seven and nine years old they are still watching Blue Peter but have (virtually) given up Play School and moved on to Kidnapped and its ilk.

Only very occasionally does our younger child now ask to see any of the pre-school-age material, usually Play School, which I suspect she likes solely for its comforting sense of familiarity. This quality emerged powerfully from BBC2's programme 25 Minutes Of Peace which recently celebrated Play School's 15th birthday using a series of clips, reminiscences, and interviews by Barry Took.

It was a fond and funny occasion with dozens of presenters, past and present, in the studio laughing at and with their recorded selves skipping about the studio, knocking whole generations of Humpty Dumpty off walls and dealing on-air with disasters such as a do-it-yourself model owl whose nose would not stick on.

Three thoughts emerged from the programme: first that Play School must be unique among television series in that everything about it is absolutely right for its audience, which no doubt explains why 71 per cent of two- to four-year-olds watch regularly. Second, how odd it is that Play School should have a celebration without BBC2 also marking its 15th birthday as a channel. And third, how woefully under-exploited are the many talents of Derek Griffiths, one of the best presenters Play School has ever had. True he is also employed in the theatre and elsewhere on television, but not enough.

Our children's abandonment of pre-school programmes has been a blow because the adults in the household used to gain great pleasure from them—particularly Arthur Lowe's superb readings of The Myster Men (so poor in book form) and it is hard to switch off such material without the excuse of at least one child to do it for.

Yet the remarkable thing is that television always seems to be running one or two series which although they are aimed at children can only be properly appreciated by adults. Magic Roundabout is a good example: children have always (seemingly) liked the anthropomor-

phic nursery animal characters but presumably have not got full value from Eric Thompson's marvellously philosophical scripts. (And the open secret behind the series is that it is French, and Thompson's voice-over narration often bears little resemblance to the French original; he simply invented words for the actions.)

BBC1 has recently bought an animated version of the Daily Mirror strip cartoon The Perishers and here, again,

children will be (are) attracted to find a rare piece of English animation with a script so often incomprehensible to children after all the American cartoons which suffer more predictably from precisely the same defect. Apart from their presumed cheapness it is hard to understand why the BBC continues to show so many of these rubbishy American series. One of the more recent, Help, It's The Hair Bear Bunch, is typically stilted, unoriginal, and poorly produced, with no attempt at a three-dimensional background and a mean minimum of moving line throughout.

Disney's technical standards of the 1940s may now be prohibitively expensive, but there is still good and bad animation and far too much of what the BBC shows is bad. It is hard to avoid the feeling that in this as in so many other areas the BBC's underlying problem is financial.

One has to assume this applies also to the type of filmed adventure series and serials which our children have now moved on to, because the contrast between the productivity of ITV in this area and the relative inactivity of the BBC is becoming quite striking. The BBC has just finished repeating Rebecca Of Sunnybrook Farm on Sundays and has started repeating Treasure Island. Last Wednesday they finished repeating Out Of Bounds and today they start a repeat of Rentaghost.

ITV on the other hand are giving or have recently given us such new filmed series and serials as Kidnapped and The Boy Merlin (complete with real magic, most welcome) from HTV, The Famous Five and Worzel Gummidge from Southern, and Dick Turpin which London Weekend brought us from an independent company. All five feature good strong child characters for child viewers to identify with, and all five make extensive use of film. This is not something which children, or adults, that matter, may notice consciously while viewing, but there really is no substitute for proper film work where such series are concerned. Kidnapped, for instance, would be much less attractive without its filmed exterior and the scrupulous attention to period detail in settings such as the harbour, which was worthy of The Ocean Line.

Nor does this apply exclusively to the more violently

active works such as Kidnapped. It has been of great significance in Worzel Gummidge which has been filmed on some particularly pretty locations and has gained enormously from it. Keith Waterhouse and Willis Hall who adapted Barbara Eupham Todd's original books have taken certain liberties with the text—Gummidge is rather more outspokenly rude on television, and Mrs Bloomsbury-Barton is more definitely a figure of fun. But then I have always defended the right of television adapters to adapt, and the changes here have almost invariably been right for television.

What Waterhouse and Hall have not changed but have managed to transfer highly successfully to the small screen is the utter lack of sentimentality in the original Gummidge works which comes out in the scrawls and sulks and insults. Producer/director James Hill is to be congratulated for not succumbing to what must have been the greatest temptation: to turn Gummidge into the friendly uncle figure who appears in so many children's stories to form the third corner of a triangle with the children and some band of hated adults at the other two corners.

In Worzel Gummidge the children (played with complete aplomb by two boys, a girl, and a dog named Boot, who is voiced by Leonard Rossiter—but without much hope of following most of the verbal nuances. Obviously children will revel in the slapstick of Marlon's famous 1-in ketchup sandwiches, but how many will understand "I always knew I wasn't really a dog but an English mildred, albeit under some strange enchantment" or even "Ghaast my fabber!")

In fact they now relish the filmed serials as much as they used to enjoy Trumpton, and—like babies who happily taste anything once, be it coal, rubber bands or caviare—are busy sampling anything else they can, from Crossroads to the Open University. Already they are moving again on to series of such general appeal as Some Mothers Do 'Are Em, The World About Us, The Bionic Woman and Life On Earth.

With not only this catholic intake of electronic material but a good admixture of books, it is difficult to see these children as the telly-morons which the prophets of doom have always promised us.



Jan Hunt

Players

The Story of Marie Lloyd

by B. A. YOUNG

Dan Farson has devised a musical from the life of Marie Lloyd, and so have Ned Sherrin and Caryl Brahms; but with respect, they made the mistake of giving it too much importance. The Players' production by Fred Stone has got it just right. This is not a full-blooded musical, but an occasion to see and hear Marie Lloyd's songs (and some other people's songs, if my memory doesn't deceive me) enjoyably sung by Jan Hunt, with enough of Marie Lloyd's life-story in the background to provide a narrative thread and a chance to remember that her sisters Grace and Alice were also tolerable players, not to mention her second husband, Alex Hurley.

The setting is virtually a standard Late Jags setting, Fred Stone, in full Victorian fig, narrates the events of Marie Lloyd's career, from the time when she began giving amateur shows in her own home until the moment when she collapsed on stage in the middle of "Oye-oye of the ruins that Cromwell

knocked about a bit." When there is a cue for song, the curtain lifts, and Miss Hunt does her stuff, or Norma Dunbar as Alice, Lorraine Hart as Grace, Norman Warwick as Alex, Geoffrey Brown presides at the piano in the orchestra pit. There is little attempt at deep characterization or elaborate routines. The songs are the thing.

Because they are belted out at us over the footlights without the intervention of microphones, we get a good idea of how they sounded when Miss Lloyd and her contemporaries sang them. Now and then we get an opportunity to join in, and the programme gives us the words; and because the atmosphere at the Players is so uniquely friendly and relaxed, everyone does join in, even the Press. (Or it may be because you can take your drink to your seat with you. The director is the indestructible Reginald Woolley.)

I ought to mention that it is necessary to be a member in order to get in. There can't be many better investments.

Wigmore Hall

Dubravka Tomsic

by DOMINIC GILL

Dubravka Tomsic's one-time teacher, Artur Schnabel, has called her "a perfect and marvellous pianist," and the critic of The Times (according to her programme-note) described her Purcell Room recital in 1972 as "the best I've heard in this or any other hall for at least two years." If that is not a complaint, it is high praise indeed—for my colleague must also have heard, and found wanting, recitals by Richter, Gilels, Serkin, Michelangeli, Arrau, Brendel, Cherkassky, Barenboim, Ashkenazy, Pollini, Kempff and Rubinstein himself, all of whom played in London during those years.

Miss Tomsic is actually a capable and gifted artist—though the reprinting (with whatever kind of accuracy) of such patently exaggerated comment does her more disservice than credit. At her Wigmore recital on Monday evening she chose to scale for maturity the Beethoven, Brahms, Debussy and Chopin; and she acquitted herself well—not sensationally, but well, without fright or hesitation, and with an admirable measure of good common sense.

Her Beethoven Appassionata emerged on the whole clean, clear and commanding; the andante especially was refreshingly scrupulous and forthright,

even if her disregard for the *non troppo* marking of the finale, which she took hardly slower than the *finis presto*, made that note of important and exciting dynamic detail—particularly the marvellous crescendo-diminuendo swell—went for less than they should. Perhaps Miss Tomsic finds the *cresc-dim* marking distasteful; certainly, she omitted it wherever it occurred in the first Capriccio of Brahms's op.116—otherwise, like the other two Capriccios, splendidly muscular and well-made. She missed only the delicate autumnal half-lights—the *intimissimi* sentiment, shy and halting—of the four Intermezzi, which are the heart, and more than half, of the set.

Her Debussy Estampes were intelligent and fluent; enormously well-bred and well-schooled, but perhaps just too careful, too nicely spoken, to be gripping. I was glad to have stayed to the end, for much the strongest of her performances, of Chopin's B minor sonata, came last: an opening allegro secure and sydsh, with all of any kind of affectation; a fluent scherzo and slow movement, both rather loosely focused; and a finale in which she shone clearer than anywhere else, justifying her testimonials—proud and firm, the very grand.

Elizabeth Hall

Musica Antiqua, Cologne

Cologne is an outstanding European centre of early music; the Westdeutscher Rundfunk, which is based there, devotes a regular, large proportion of its broadcast output to pre-1750 music, and for some 25 years has sponsored a pioneering baroque orchestra. Now the town has produced this splendid coalition of musicians (two of whom are known to London audiences as former members of L'Escole d'Orpheus) which made its debut here on Monday under the capacious umbrella of the English Bach Festival.

The most satisfying part of their programme was devoted to early Italian baroque music. Historians have drawn so neatly the contrast between the equal-voiced polyphony of the high renaissance and the demonstrative solo writing of the early baroque that we tend to overlook the fact that in the first years of the 17th century in Italy there was a constant intermingling of these styles—pieces for three or four melody instruments and continuo which combined the imitative precision of the old canzona style with the brilliant freedom of newly-emergent soloistic idiom.

Musica Antiqua played three-violin-and-continuo pieces by Giovanni Gabrieli, Fontana, Marini and Cima in a wholly

distinctive way—bows dug deep into the strings and then bouncing jerkily into thin air, short rhythmic phrases flashing with light and colour, contrasted with eerily still harmonic progressions. Mannered, perhaps, but with a decisiveness and conviction that characterised these Italian pieces as some of the most excitingly exploratory works in all music, at the very beginning of the sonata's long life. Reinhard Goebel, Hajo Biss and Ingrid Seifert each cultivated their individual voices, but matched precisely an ideal expression of unity in diversity. A pity that they did not diversify a little more by including some solo and duet pieces from this repertory.

They made that ponderous war-horse of string orchestras, the Faghiel Canon (all too often a sort of Kavel's Bolero of the baroque, swelling to a huge climax) into a light and brilliant display piece; and brought a fiercely nervous strength to Purcell's Fantasia: Three upon a Ground. Some of the music, particularly the Marini encore with its double echo, would have benefited from a much more sensitive acoustic; but the Elizabeth Hall caught well the sparkling precision of Gudrun Heyens in two recorder variations set by Van Eyck and a rather tersely pretty concerto by Robert Valentine.

NICHOLAS KENTON

Auditorium, John Lewis

Zarund Zimmermann

by ELIZABETH FORBES

The John Lewis Music Society, in search of an unknown, unusual or unplayed opera to present, has this year picked a winner—Zarund Zimmermann (Tzar and Carpenter) by Albert Lortzing. Though Lortzing's operas are only performed in this country now by enterprising societies such as John Lewis (who have previously given two of his works, The Poacher and Undine), in Germany they keep their popularity and their place in the repertory; Zarund Zimmermann, for instance, was the most frequently played opera of 1954.

Lortzing, who usually wrote his own librettos, based the text of Zarund Zimmermann, which was first produced at Leipzig in 1837, on a French drama, Le Bourgeois de Sardaigne; this play had already been used as the basis for Donizetti's Il borghese di Sardinia ten years before. The story deals with the legendary episode in the life of Peter the Great when the Tzar was wrecked in a Dutch shipyard. The plot is complicated by the presence of another Peter; in fact a Russian, who is also a deserter, but whom the Mayor of Sardinia takes to be the disguised Tzar.

The music, always melodious and appropriately occasionally blossoming into something more memorable than mere tunefulness. Van Bett the vain and obtuse Mayor, gets the lion's share of the better songs, but the ensembles are equally deft and well-written. An all-male sextet in the second act, divided

into two sets of three conspirators each, has a fine, unaccompanied opening section; the finales of the three acts are varied, vigorous and cheerful, with good dramatic justification behind them; some of the scoring is delightful.

The John Lewis performance, conducted by James Robertson, produced by Tom Hawkes and designed by Steven Gregory, is most enjoyable. A splendid shipyard, with a ship that actually sails, taking Peter the Great back to Russia at the final curtain, is miraculously compressed onto the tiny stage. The chorus has a fierce attack than can be appreciated in the famous rehearsal scene, where Alan Bett coaches the shipyard workers in a cantata of welcome to the (wrong) Tzar Peter. The Ernest Read Symphony Orchestra, too, has been drilled by Mr. Robertson into a naval precision.

Richard Robson, a guest artist, makes the most of his comic opportunities as Van Bett. Clive Harré, another guest, sings firmly as Peter the Great (a baritone role). Susan Moore, from the National Opera Studio, is a charming Marie, the Mayor's flirtatious niece. As the other Peter, who is madly in love with Marie, Brian Kevis acts the jealous suitor amusingly. Dennis Hooker, an elegant French Ambassador, phrases his song in praise of the local girls with finesse. Michael Neill (the English Ambassador) and Alan Patient (the Russian Ambassador) have less to do but manage to establish their characters.

Odeon Hammersmith/Rainbow

Miller/Only Ones

by ANTONY THORNCROFT

FRANKIE MILLER was infuriating at the Hammersmith Odeon on Sunday. After years of struggle he suddenly seemed to be breaking through, at least in terms of record sales. But instead of a confident, professional performance he was led and perhaps over-tingled. The years on the road, pushing his old-fashioned brand of rhythm and blues, have taken their toll.

There were still good things. "Ain't got no money" and "Brickyard Blues" are the kind of relaxed anarchic songs that go with Miller's aggressive personality. He is a wee Scot who drapes his national flag as scenery and fights an audience with Billy Connolly belligerence. When his band has something to chew on, as in the up tempo numbers, it goes well, but there were longeurs, and Miller's interpretations of contemporaries' songs, like the Stones' "Let's spend the night together" or Bob Marley's "Is this love" are more interesting than anything else. But he has a very attractive rough voice, and in a more intimate club atmosphere can certainly still rock most super-stars off the planet.

Frankie Miller has waited years for reasonable success; it shouldn't take The Only Ones, who packed the Rainbow on Saturday, more than a few more months. This was a different world—the new age of rock, post-punk but with a style and musical skill so blatantly missing from the first roller of the

new wave. For a start The Only Ones are older, and the Lou Reed-Velvet Underground influences, the first punks, of the Andy Warhol period, are much more apparent. They come through in the casually thrown off but stylish guitar solos of John Perry, who looked rosy in Bud Flanagan's fur coat and only forgot once to stay completely impassive in the true art hero tradition. It shouts at you through singer Peter Prett, who flirts with glam rock and has the threatening, lived-in, voice so essential for success. Like most of the new wave the first hour is best, and it's a pity the sharp lyrics are lost, live but blending the smooth new album "Even Serpents Shine" with an on stage view The Only One are more than a class above the other new bands, yet in danger of being stuck in the same depressive, destructive, cul-de-sac. It's hard to play for the young outsiders of society and still come into the commercially safe inside.

Conference on EEC and the arts

A common cultural policy for EEC member states will be discussed at a three-day conference on the EEC and the arts opening at the Institute of Contemporary Arts on May 11. Representing the EEC will be Robert Gregorie, head of the Cultural Unit.

COMPANY NOTICES
Published notification of rate of interest for second six months
ARAB MALAYSIAN DEVELOPMENT BANK, BERHAD
U.S. \$20,000,000
Floating Rate Notes due 1983
For the six months April 12th, 1979 to October 12th, 1979 the notes will carry an interest rate of 11 1/2 per annum
Listed on the Luxembourg Stock Exchange

KLEINWORT BENSON (JAPAN) FUND
Société Anonyme
37, rue Notre-Dame Luxembourg
KLEINWORT BENSON (JAPAN) FUND
The Secretary

NOTICE TO THE HOLDERS OF BONDS OF THE EUROPEAN COAL AND STEEL COMMUNITY
The annual interest on the bonds amounting to 109,200,000.000 francs has been paid for redemption on 11th May 1979.

TOKYO SANYO ELECTRIC CO. LTD. (CDRs)
The undersigned announces that the Annual Report for the year ended 31st March 1979 of Tokyo Sanyo Electric Co. Ltd. will be available in Luxembourg Central de Luxembourg S.A.

COMPAGNIE FINANCIERE DE SUZ
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GENERAL MEETINGS OF SHAREHOLDERS
1. NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at the Grand Auditorium on Palais de la Poste, 11 rue de Valenciennes, Paris, on Wednesday, 23rd May 1979, at 2.30 p.m.

PERSONAL
Who will provide jobs for our disabled ex-Servicemen?
Finding work is hard enough. For disabled ex-Servicemen it's almost impossible. The Legion strives them with sheltered employment, homes and other essentials. The annual Poppy Appeal gives extra pay for these. Please send donations to: The Royal British Legion Appeals Department, Maidstone, Kent ME20 7JX.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC3A 5BY

Telephone: 01-245 8000

Wednesday, May 2 1979

Oil provides the means

THE CLEAR CHOICE of philosophy offered by the two major parties in the general election on Thursday promises important changes in the direction of our affairs if the Tories win decisively—an outcome which can no longer be taken totally for granted. The Labour programme is largely a matter of carrying on as before; there is an unfinished agenda of intervention, planning and control.

However, while the parties pose the central question, they have largely evaded another: North Sea. Oil provides the means with which to make change less painful than it otherwise would be.

Consequences

The international oil crisis, which looks likely to prove obstinate after the revolution in Iran and the cooling of relations between Saudi Arabia and the U.S., has two consequences for our future. In the world at large, it is likely to act as a brake on growth and trade. For the UK, it means that both the benefits and problems flowing from the North Sea will be larger.

The threat of world recession is becoming increasingly clear. In 1974 the U.S. was happy to allow the international banking market to expand credit hugely to finance rising OPEC surpluses. The aim was to restore activity at home. However, the 1979 price rise—and there may well be a second round of increases—ends the U.S. struggling with overheating and rapidly rising inflation. The further tightening of monetary policy indicated by Mr. William Miller yesterday underlines the change in the Administration's priorities.

At the same time, the less inflationary and more competitive economies of Germany and Japan face renewed pressures on prices and the balance of payments, and are tightening their own policies. World growth is already forecast to fall a full percentage point below earlier projections, and such trends have a way of gathering force.

Real value

The UK, however, is largely exempt from such pressures on its domestic economy. Self-sufficiency in oil underwrites the balance of payments, and contributes to the growth of national income. It will also increasingly support the level of real consumption, which depends not so much on the flow of oil, so far largely absorbed in developing the fields and re-

mitted profits, as in the rising flow of oil-based Government revenue which has hardly yet begun to accrue. The rising real value of oil increases the importance of these flows.

This is an enormous benefit, but not an unmitigated one. On the credit side, it promises relatively painless financing of some Government objectives—whether reducing taxes, reducing borrowing or increased spending. It is also helping through the exchange rate, to check inflation. However, the North Sea also poses a challenge.

This challenge, commonly known as the Dutch disease, arises from the fact that a rise in the exchange rate or a stable rate with excessive wage increases squeezes profits and reduces competitiveness; and from the fact that the North Sea is not inexhaustible. The twin challenge is to ensure that rising home demand is not simply an importer's benefit and that there is not an inverted triangle as North Sea supplies dwindle. The problem, in short, is not of demand, but of supply, both in the short and in the long term.

One factor remains on our side: as a result of decades of laggardly performance, British hourly wages are so low by advanced-country standards that efficient enterprises can still hope to flourish here. The forces of change, then, can work in our favour, as they could not if real incomes were high even by advanced standards.

Intervention

While neither side has spelled out policies to meet these realities, the requirements are clear. First, oil must be treated to some extent as capital, and used to finance appropriate replacement investment—in an energy programme, in income earning overseas assets or other productive domestic assets. Secondly, we need policies at home designed to facilitate change rather than resist it.

Quite apart from the question of State economic intervention, this has strong implications for housing policies to encourage mobility, for education and training, for helping rather than hindering efficient foreign enterprises and for financial and fiscal policy, excessive demand pressures and high interest rates inhibit investment and change. The next government may enjoy the peak of our North Sea good fortune; it will have the power to decide whether we use or waste it.

The challenge to Ecevit

ORDERING the 5m inhabitants of Istanbul to remain indoors for more than a day is a desperate measure—and one indicating the fears now prevalent among those ruling Turkey. In recent months these fears have risen sharply. Martial law has been introduced in 19 of the country's 67 provinces, last week being extended to the Kurdish border areas in Turkey's south east.

The May Day march planned by DISK, the left-wing union confederation grouping most unions in the private sector, was banned. DISK's own leadership was arrested, as was that of a left-wing party which defied the ban. Over 1,400 people have now been detained and 340 death sentences have been requested by the prosecutor for those involved in the massacre last December in Kahramanmaraş where over 100 people died.

Austerity

Few politicians would relish having to take such steps and for Mr. Bulent Ecevit, the Prime Minister, who is campaigning on promises of democracy, the record is particularly sad. It is easy to cite examples of his changes in position. Mr. Ecevit, in opposition, always spoke out strongly against the imposition of martial law—though at a time when, admittedly, conditions were less turbulent than they are now. Even allowing for changed circumstances, the problem of credibility is there, and not only on this particular issue. Both a home and a foreign problem is crucial.

In his 16 months in office Mr. Ecevit has had few successes to show. The Cyprus problem rumbles on, relations with Athens are strained to the extent that Greece still blocks Greece's formal return to the military wing of NATO. The U.S. wing of NATO has been lifted and the U.S. bases in Turkey are closed, but the West has still to provide any significant quantity of aid. As for relations with the IMF, these may have improved to the extent that talks between the two parties have now resumed. But the have now resumed. But the talks are bound to require yet

further austerity measures in a country whose mood is already sullen. And the political killings still rage.

It is an easy situation for an opposition to exploit and the conservative leader, Mr. Suleyman Demirel, has not been slow to do so. Ecevit talked of Mr. Demirel suffering the fate of Allende.

Partisan

But however difficult the situation Mr. Ecevit faces it is not one for anybody to rejoice at. The left has seen the closing of its own organisations, including those built up to counter right-wing attacks from which a partisan police force failed to protect it.

As for Mr. Demirel, he is hardly viewed with favour by the military. In 1971 he was forced out of office by a commander of later years are largely responsible for Turkey's problems building up to the magnitude of today. The military are unlikely to intervene in his favour. Indeed there is some doubt about how much they wish to intervene directly.

They burnt their fingers severely in the martial law period of 1971-73, only restoring their domestic prestige with the invasion of Cyprus in 1974. They are well aware that while Mr. Ecevit is having difficulty in obtaining aid from the West they would face twice the trouble.

Martial law

However poorly Mr. Ecevit is performing, any alternative is unlikely to be better. But if he is not to slip from office in the same way as he gained it—through defections from one party to another—he will have to show not merely that he can survive but that it is he and not the military who are calling the tune. Detentions are a far cry from the massive arrests and torture of the 1971-3 period but they are a step in that direction. And Mr. Ecevit now has to add to his search for an economic policy the proof that his "martial law with a human face" is not a mere slogan.

IF THIS WERE a presidential election, Mr. James Callaghan would now be assured of a second term of office. There is no doubt that he is the most popular politician in the country. According to Pollsters, even one in eight Conservative voters would prefer him to Mrs. Margaret Thatcher as Prime Minister; two thirds of the Liberals would opt for him.

Should Labour win—and Mr. Callaghan has throughout been convinced they will—it will be largely due to the respect and trust he has personally engendered. He is the party's greatest electoral asset, the man rather than the manifesto its surest vote-catcher in this election.

Yet the campaign he has fought has been a shrewdly blended projection of both personality and policy.

"I will not be packaged like cornflakes," he asserted decisively at the outset. So the campaign has consciously—sometimes irritably—eschewed plastic novelties and salesmen's slogans. "I intend to be myself," he declared—no shaped like some cardboard cut-out figure for the TV.

It has been a campaign that has come quietly to the crunch without any diverting snags, crackle and pop.

Well, almost. No political leader can escape presentation as his party's brand image. Mr. Callaghan's tour has had to cater for the insatiable appetites of the cameras.

One newspaper photographer alone has used five rolls of film a day; nearly 3,300 photographs in three weeks of which nine have been published. The demands of the television crews, batten on every move with cameras, sound booms and lamps, have been even more voracious.

With a sense of duty but also of dignity, Mr. Callaghan cut a birthday cake for them in Uxbridge, donned a garland of flowers in Isleworth, and was solaced at a swimming pool in Sploit.

With mounting impatience, he was also squashed in supermarkets, and crushed in committee rooms. "A quiet election," he reflected, "feels like being in a whirlwind."

It was not a feeling he liked: the cameras which ensured he would be seen on millions of television screens cut him off from the voters and party workers with whom he was

supposed to be making contact. "I don't need any more photographs," he complained in Cardiff last week. "I would be glad if you would let me see my constituents in my own way." Apparently refreshed by the experience, he returned to a television studio that night to give a sparkling performance, responding to questions with vigour and good humour.

For all his skill and success in the medium, however, Mr. Callaghan has not been seduced by it. It is the message that is important. His old-fashioned, at times almost puritanical, approach to the hustings in this election may serve as a salutary restraint to the growing influence of the admen in politics.

"The voters don't want to see you cuddling a calf," he said. "They want to be sure you're not trying to sell them a pig in a poke." Mr. Callaghan set out to convince the electorate that was exactly what they were being offered by the Tories.

Labour was fighting a crusade, he declared on the first day. Twenty-four hours later the word had struck from his vocabulary. It was too pretentious for what was essentially to be a conservative campaign, a resistance movement. Nor did he favour such up and down the country exacting of medieval knights. Mr. Callaghan travelled by executive jet and the Labour flag flew from his car.

At his side was Mrs. Callaghan, smiling serenely through the scurrillages, and the Special Branch detectives, eyes constantly scanning the crowds. Around him was a small support staff, headed by Denis Gladwin, a union official with years of experience in ordering the progress of Labour conferences.

Always ahead, in Liverpool, Glasgow, Birmingham, Manchester, Leicester, Huddersfield, Cardiff, was another eager, security-checked, audience inevitably infiltrated by "Troops out of Ireland" demonstrators. "It's part of the routine," he remarked as they chanted their protests and were ejected.

"Treat them more gently than one to another with his audiences. His audiences, large for the size of the towns in which he speaks, are direct, unemotional, slightly formal—

"Would the candidate say 'Can I, Mr. Chairman, ...'?"

Mr. David Steel, the candidate for Roxburgh, Selkirk and Peebles, Leader of the Liberal Party, on his home patch. Earlier that day, in the worn opulence of the National Liberal Club, off Whitehall, he had squinted into the TV lights at the morning Press conference and dealt carefully with Fleet Street cynics.

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Leaders ride shotgun on the campaign trail



they treat our soldiers in Ireland," he added to cheers.

Only in Liverpool did he encounter genuine and angry heckling from Dunlop's jobless. "You must bear your share of the responsibility," he told them bravely.

Summarising the rigours of the schedule with pints of orange juice and early nights, Mr. Callaghan hammered out the same simple message. Jobs and prices are the main issues.

In Glasgow, in his first speech, he warned of the "deserts of unemployment" that would result from the Tory withdrawal of government aid to industry. In that, and every other industrial area, he lists the local companies where government finance has protected or created jobs.

He is genuinely and deeply concerned about the threat of a complete reversal of the post-war political trend away from industrial confrontation; he views it as a dangerous aberration in what in his most slighting phrase he calls "the temporary Tory leadership."

While Mrs. Thatcher appeals to Labour moderates, Mr. Callaghan responds by invoking Disraeli's plea for one nation.

From their low-key beginnings, his speeches have gradually acquired a more abrasive edge; but they are a plea for common-sense, no incitement to passion.

"Has Labour lost its ideals?" he demands. "No, no," he replies. "This election is about the kind of society we want for the 1990s; whether it will be a caring and compassionate society, one nation, undivided." But the conservatism has been muted amid the economics.

With this in mind, Mrs. Thatcher and her retinue of 100

THE Tory strategists knew from the start that Mrs. Margaret Thatcher, as Britain's first potential woman Prime Minister, would be "the newspaper story of the campaign." They also acknowledged that there was no way for her to compete with Mr. Callaghan as an elder statesman, and that the British electorate can become easily bored with elections. A good photograph or better still a shot on television, they felt, was worth 1,000 words.

So, in the first week of the campaign, Mrs. Thatcher was packaged for the benefit of the camera men and caption writers to a degree unprecedented in British politics. In pursuit of the key to No. 10, she was photographed in a series of situations which daily grew more bizarre.

'All part of the job'

According to her husband, Denis, she regarded it as "all part of the job." She certainly approached it all with daunting efficiency although at the end of it all her image in the country at large has probably not changed much. She remains an essentially middle class woman with a remarkable sense of purpose. What may have come across more strongly during the campaign is the passion of what she describes as her vision of how society should be changed, and her personal conviction that there is room for compassion within the Conservative Party.

With her party well in the lead in the opinion polls, Mrs. Thatcher was held in reserve for almost a week after Mr. Callaghan had started campaigning. When she finally made her appearance, the central idea still seemed to be to play it cool, ration her speeches, and go for the middle ground. Apart from the nightly speeches setting out the broad outlines of Tory policy, the events of the first week seemed designed to put forward Mrs. Thatcher as a warm person, genuinely interested in people, rather than the hard faced woman of steel which Labour accuses her of being.

With this in mind, Mrs. Thatcher and her retinue of 100

or so reporters trooped around hospitals, tramped across muddy fields, and practically blocked shopping precincts in marginal constituencies.

Observed at close quarters, Mrs. Thatcher is an impressive campaigner. She has a remarkable ability to create an atmosphere of intimacy with whoever she is talking despite the barrage of ever-present cameras. On the other hand during her walkabouts, even some hardened Labour supporters reacted to her as if she was the Queen. Wherever she went, there were cries of "oh she's a beauty" and "isn't she beautiful."

Because all her big rallies were ticket-only affairs, it is difficult to gauge how her speeches might have gone down with a wider cross section of people. The party workers seemed to think she was wonderful although she continued to deliver her major speeches in the manner of a slightly overbearing headmistress, exalting every syllable as if it were her last.

They loved it when she described herself as a politician of "conviction" and when she protested that in Britain there was a "lot to react against."

Occasionally, as a mark of her confidence, she would depart from her script and it was then that glimpses of real flesh and blood could be seen beneath the normally cool, lady-like facade. It is when she is talking without a script that some of her advisers became nervous. They acknowledge that Labour is right in believing she is capable of making a sudden gasp and that she can still sound like a over-the-top mother-in-law when hammering home a point—though compared with three years ago her voice is, at most times, honeyed.

Generally she showed herself to be formally well disciplined and efficient throughout the campaign though at times she appeared to forget that she was going for voters who were not Conservatives at the last election. She made very few concessions to the fact that she is a woman and did not really acknowledge it as an issue until the final party political broadcast when the soft, compassionate side of Mrs. Thatcher was again to the fore.

In the second week, the form of her campaign changed sharply to concentrate on



policies. At no point did she deviate from the Party manifesto but she did develop some of her original arguments to put more emphasis on traditional Tory issues like law and order, defence, and—after she had been attacked by the trade unions—union reform, and, of course, taxation. Her approach seemed to become slightly more fundamentalist as she explained her vision of a society in which initiative is rewarded and there is freedom under the law. Memories of past Tory leaders like Mr. Harold Macmillan and Winston Churchill were invoked with increasing frequency.

Criticisms of Tory policy

The concentration on policies in the second week was obviously planned. What Central Office probably did not expect was that she would have to spend so much time rebutting Labour's criticisms of Tory policies—particularly of her main plank of income tax cuts.

As the week went on, her confidence began to lessen and on Friday she allowed her irritation with a journalist to show through at a televised Press conference.

For a moment it seemed as if Labour—and the opinion polls—had got under her skin. But she obviously took a deep, well-disciplined breath on Saturday; on Sunday she was back looking as cool and collected as ever at the rally of trade unionists.

In the second week, the form of her campaign changed sharply to concentrate on

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one to another with his audiences. His audiences, large for the size of the towns in which he speaks, are direct, unemotional, slightly formal—

"Would the candidate say 'Can I, Mr. Chairman, ...'?"

Mr. David Steel, the candidate for Roxburgh, Selkirk and Peebles, Leader of the Liberal Party, on his home patch. Earlier that day, in the worn opulence of the National Liberal Club, off Whitehall, he had squinted into the TV lights at the morning Press conference and dealt carefully with Fleet Street cynics.

Always ahead, in Liverpool, Glasgow, Birmingham, Manchester, Leicester, Huddersfield, Cardiff, was another eager, security-checked, audience inevitably infiltrated by "Troops out of Ireland" demonstrators. "It's part of the routine," he remarked as they chanted their protests and were ejected.

With a sense of duty but also of dignity, Mr. Callaghan cut a birthday cake for them in Uxbridge, donned a garland of flowers in Isleworth, and was solaced at a swimming pool in Sploit.

With mounting impatience, he was also squashed in supermarkets, and crushed in committee rooms. "A quiet election," he reflected, "feels like being in a whirlwind."

It was not a feeling he liked: the cameras which ensured he would be seen on millions of television screens cut him off from the voters and party workers with whom he was

supposed to be making contact. "I don't need any more photographs," he complained in Cardiff last week. "I would be glad if you would let me see my constituents in my own way." Apparently refreshed by the experience, he returned to a television studio that night to give a sparkling performance, responding to questions with vigour and good humour.

For all his skill and success in the medium, however, Mr. Callaghan has not been seduced by it. It is the message that is important. His old-fashioned, at times almost puritanical, approach to the hustings in this election may serve as a salutary restraint to the growing influence of the admen in politics.

"The voters don't want to see you cuddling a calf," he said. "They want to be sure you're not trying to sell them a pig in a poke." Mr. Callaghan set out to convince the electorate that was exactly what they were being offered by the Tories.

Labour was fighting a crusade, he declared on the first day. Twenty-four hours later the word had struck from his vocabulary. It was too pretentious for what was essentially to be a conservative campaign, a resistance movement. Nor did he favour such up and down the country exacting of medieval knights. Mr. Callaghan travelled by executive jet and the Labour flag flew from his car.

At his side was Mrs. Callaghan, smiling serenely through the scurrillages, and the Special Branch detectives, eyes constantly scanning the crowds. Around him was a small support staff, headed by Denis Gladwin, a union official with years of experience in ordering the progress of Labour conferences.

Island disaster King and his board had decided on a change of name to Babcock International. This provoked some protests from nostalgic shareholders. But in the light of what has happened since, I doubt that there will be any opposition to the proposal at the annual general meeting later this month.

Western face

Having proved themselves superb designers of consumer electronics products and able managers of British workpeople, the Japanese are now having to tackle the challenge of the British industrial establishment and its attendant bureaucracies.

Sony, which started manufacturing television sets in Wales, cannot appointed as a senior executive an ex-Phillips man who knew his way around the civil service, and had plenty of phone numbers not in the ordinary directry. They followed this up with the appointment of a British managing director.

Now Panasonic, the Matsushita subsidiary which also makes television sets in Wales, has followed the same path by appointing a former GEC executive, Brian Reilly, as chairman. Reilly's career in GEC dates from 1960 when he joined Radio and Allied, then being run by a not-yet-famous Arnold Weinstock. Reilly, 54, hopes to pilot Panasonic into the safe harbour of the British Radio Equipment Manufacturers' Association (BRFEMA). His role, he says, will have its ambassadorial side. No doubt he will be putting over the message that Panasonic's UK fees much at home.

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Subtle menace to Hong Kong

BY PHILIP BOWRING in Hong Kong

GAPS ARE widening in the bamboo curtain dividing frenetic capitalist Hong Kong from a rural but increasingly socialist China. The modernising, outward looking policies adopted in China have created euphoria in Hong Kong, both about short term business opportunities and long term stability for the colony. But these benign breezes may not be entirely to the benefit of Hong Kong. In the long run they could be the beginning of the end.

The reasons for euphoria are obvious enough. A pragmatic China recognising Hong Kong's value will have even less interest than had Mao's China in changing the city's status after the lease on Hong Kong's New Territories will in theory have fallen in less than 10 years. The Governor, Sir Murray Maclehosie, has even been received as a visitor in Peking, where he met Deng Xiaoping himself. Businessmen in Hong Kong, local and foreign, are falling over themselves to exploit the new opportunities for trade, investment and provision of services.

But on second thoughts reservations may need to be made. The new opportunities for business with China may also bring new conditions under which Hong Kong implicitly operates. Not all may be comfortable. The border has never been hermetically sealed. There has always been movement of goods and people. But in the past both sides recognised that their systems were so different that objectives and interests were clear cut.

Two current news stories illustrate the changed situation. A massive inflow of migrants, legal and illegal, from China, and the development of joint ventures in industries across the border in Shenzhen (Shenzhen Municipality). The most notable of these is a project for the

assembly of Ford and Mitsubishi trucks by China Engineers, the Hong Kong subsidiary of Sime Darby.

By the end of this year, China says, no fewer than 100 factories put up by foreign and Hong Kong capital should be operating. No one suggests that China wants to follow policies designed to damage the interests of Hong Kong. None the less, there are conflicting interests.

China wants to maximise its hard currency earnings from Hong Kong, and maximise the role of the city state in facilitating trade, investment and technology flows into China. The mass of the people in Hong Kong want to maximise their personal incomes and their opportunities for advancement. Hong Kong industrialists want to maximise profits or turnover. These separate interests have always existed in the Hong Kong-China relationship. But the more permeable the border becomes, the more these differences may come into focus.

Illegally

Last year, more than 100,000 people arrived in Hong Kong from China. This year the flow has so far been even higher, at an annual rate of 150,000. About one-third come in illegally. The Hong Kong Government has made numerous attempts to persuade the authorities in both Canton and Peking to staunch the flow. They have replied sympathetically, but nothing has happened. The flow goes on. Liberal policies in China make it very difficult to stop. Provincial authorities are responding to requests for exit permits, for instance, to allow people to visit Hong Kong to see relatives. There is a release of pent-up demand, and additional demand created by the fact that the new liberalism may not last.

At the same time an easing of travel restrictions in South



China and the generally relaxed atmosphere is facilitating large-scale illegal migration. Hong Kong has had waves of immigrants before. This one will die down sooner or later as pent-up demand eases, if the Chinese authorities at last respond to Hong Kong pleas, or if demand for labour in Hong Kong eases off. But the general result of more liberal, modernist policies in Peking is likely to mean that access to Hong Kong will become easier.

In the short term, the inflow has benefited Hong Kong, providing labour and thereby helping to keep wages rates in an overheated economy from rising excessively and damaging the competitiveness of export industry. But the boom is ending, and if the immigrants continue to come, unemployment could be the result.

In the past, Hong Kong has been able to absorb massive inflows of labour by raising the volume of exports. But that is not so easy now that textiles and garments are mostly close

to quota limits and there is a protectionist shadow over other exports.

Migrants are not going to come in the long run unless they can find jobs, so to some extent the situation may be self-regulating. But the more permeable the border becomes, the greater potentially the influx of labour, which will naturally hold down wages. This is to the advantage of low value-added, low skill industries which have been finding difficulty competing overseas with cheaper labour countries like South Korea. If you believe some leading industrialists in Hong Kong, there is virtue in low wages rather than in more business opportunities created by higher disposable incomes. There is a group clearly interested in maintaining access to vast pool of unskilled labour.

As for China, to maximise its earnings it is interested in growth of Hong Kong's GNP. What, if any, policy China has

on the subject of Hong Kong's population is not known. A Fujian province official was recently quoted as saying Hong Kong could "easily support 7m comrades." It currently has a population of 4.5m. He may have been talking in very vague terms, but there is a hint there, perhaps, that Hong Kong is now viewed not simply as a remote peculiar institution, but as a very prosperous little pocket whose prosperity might be spread around to a few more people. From being unmentionable, Hong Kong has become almost a symbol of modernity. But what is looked up to may also be envied.

China is also aware that a steady migration of people to Hong Kong helps to maintain the essentially Chinese character of the city, constantly diluting the westernising influences of education, English mass media, and the consumer society. China sees itself as becoming more like Hong Kong, modern and industrial. But a freer flow of people tends to have the opposite effect on Hong Kong. A high inflow of people will hold down wages and reduce the incentive to industrialists to move into industries of higher added value, higher technology, and greater capital-intensiveness. It would also hit hard at the aspiration of the rapidly growing educated middle class pursuing home ownership and more consumer durables.

Aspirations

The rate of immigration is already affecting the aspirations of the people for better housing, education and welfare services. This year, for instance, the Government will complete some 40,000 flats, but that is barely enough to cater for the population increase.

Expectations have been rising fast for better homes, more consumer durables, and more

education. But China is all too conscious of how much better off people in Hong Kong already are, so it is unlikely to sympathise with those who want the income gap between China and Hong Kong to keep growing — as without large scale immigration it would almost certainly do.

So much for movement into Hong Kong. There is also movement in the other way — of investment, industries and money into China, mainly into Guangdong province, including Shenzhen. There are already a number of Hong Kong-financed and run factories in Shenzhen producing goods for the Hong Kong market or components for Hong Kong factories.

It is not certain how successful these ventures will be. Terms under which they operate seem to be as much based on expectations of a continuing spirit of goodwill as on specific agreements that will take account of shifting market conditions, prices of inputs and levels of demand.

The productivity of unskilled labour working under Chinese conditions is very much lower than in money-motivated Hong Kong. Infrastructure is still rudimentary in Shenzhen. But Hong Kong's China Light and Power Company is to provide electricity, and other improvements are in progress. China is prepared to bring more labour into the area if needed to meet demand. It has said that it aims to increase the industrial workforce in the area by 100,000 within three to five years.

The advantages of investing in Shenzhen, enjoying access to (and through) adjacent Hong Kong while paying what amounts to only about one fifth of the going Hong Kong wage rates are obvious.

There could be big advantages to Hong Kong in trans-border developments: a ready



Governor Maclehosie: Peking received him.

source of supply of cheap components, the potential to carry out certain operations — for example, container repair — close by, but without having to pay the crippling costs of a land-intensive industry in Hong Kong.

If Shenzhen does take off — and China is using the current Canton Fair to promote the area — it is inevitable that its infrastructure will improve with time, and its workforce become more skilled and more attuned to capitalist motivations. Communications between Hong Kong and Canton are being strengthened and there is talk that the new airport Hong Kong needs will be built in China.

In the long run, Hong Kong and Shenzhen most probably would tend to move towards a greater degree of economic equality.

Alternatively it is possible that a situation would develop where most skilled activities and all industry-related services were carried on in an ever-more prosperous Hong Kong while the people of Shenzhen gained a modest existence as the hewers of wood and drawers of water for middle-class Hong Kong. China might find that hard to stomach. It is also unlikely in the context of a continuing flow of workers into Hong Kong.

More probably Hong Kong will get bigger, but its special situa-

tion, its special wealth, its special political situation, would begin to be eroded.

Trans-border activity has mostly been welcomed in Hong Kong, particularly by big businesses which see it as an opportunity for bigger enterprises and cheaper labour. Some even have visions of a South China mega-city embracing Hong Kong and Canton, of a synergy of capitalist enterprise and Communist social organisation.

But the consequences for Hong Kong of a permeable border are difficult to discern and have tended to be obscured by the enthusiasm for the opportunities that the opening up of China is presenting.

The economic consequence of a permeable border — that the two sides will become more alike — is clear. But there may be big social and political consequences as well. The more China knows about Hong Kong and feels Hong Kong to be part of China, the less tolerant it may be in the long run of the discrepancy of wealth between an almost developed city state and a China still very firmly stuck in the Third World. Unless there is a dramatic reversal in China, it is certain that Hong Kong will not go out with a bang either before, during or after 1998. But the process of absorption may have been unconsciously launched.

Letters to the Editor

Paying for cuts

From Mr. D. Ives.

Sir, — It would perhaps be naive to expect an excess of honesty in the middle of an election campaign, but when all allowances have been made for the exuberance of the hustings, Mr. Callaghan's statement on the financing of Labour's programme really takes the biscuit. According to your report of April 28, Mr. Callaghan said Labour intended to pay for its proposed cuts in income tax "by the excess we have at the present time, that we have allowed for."

What "excess" has the Government allowed for? Is not the reality that with the indexation of personal tax allowances for 1979-1980 already announced, the prospective borrowing requirement is already over £10bn, compared with the level of £8.5bn which even Mr. Healey has accepted as the maximum which can be contemplated? Will not the main feature of the next Budget be a net increase in taxation to redress the balance, moderated by some reductions in public expenditure if the Conservatives win but with no such moderation — if Mr. Callaghan is to be believed — if Labour is still in charge?

In the unlikely event of Mr. Healey presenting the next Budget, it will be intriguing to see how he proposes to honour the daunting commitments made by his leader. David Ives, Manor Lodge, Milford, Near Godalming, Surrey.

A lack of believers

From Mr. B. Ashen

Sir, — Observer's piece in Men and Matters (April 27), commenting that there are no Labour candidates employed by British Steel Corporation, reminds me of the 1970 campaign, in that election my friend, William Camp, unceremoniously sacked a year later, was PA to Harold Wilson and I, also work-

Growth of foreign car sales

From Mr. J. Morgan

Sir, — I am surprised that no one has challenged the remarks made by Mr. Michael Edwards (April 24) to the effect that national attitudes are responsible for the growth of foreign cars at the expense of British Leyland. If Leyland is to have any chance of regaining its former market shares it will have to recognise that the growth of foreign car sales is a direct result of its own past policies and performance.

In 1970, when I was managing director of one of British Leyland's largest chains of distributors, I argued unsuccessfully to put a stop to the suicidal policy of terminating dealer or distributor franchises, a policy carried mostly for reasons that the dealers would not give up their activities selling non-Leyland makes of cars.

Blinded by Ford's success in reducing its dealer network, and not recognising that times had changed, and that this time dealers had the alternative of taking on hitherto unknown

ing then for BSC, fought Penistone as a Conservative.

William Camp always maintained that he was one of the few in 33, Grosvenor Place who actually believed in nationalisation. They have replied sympathetically, but nothing has happened. The flow goes on. Liberal policies in China make it very difficult to stop. Provincial authorities are responding to requests for exit permits, for instance, to allow people to visit Hong Kong to see relatives. There is a release of pent-up demand, and additional demand created by the fact that the new liberalism may not last.

At the same time an easing of travel restrictions in South

Taxation and aspiration

From Hilary Phelps.

Sir, — Peter Riddell (April 25) may well be right when he states that a reduction in personal taxation would not be necessarily inject a new lease of life into existing British management.

What such a reduction would do, however, is to attract to senior positions more of those younger people who at present have little material reason to aspire beyond middle management. Hilary Phelps, 95, Chambers Lane, NW10.

Only a tax holiday

From Mr. J. Gibb

Sir, — Professor Sandford (April 20) quotes a considerable reduction in the burden of capital taxes both as a proportion of total taxes and as a proportion of GDP. He fails to point out, however, that as between husband and wife estate duty was effectively payable on the first death, whereas capital transfer tax is payable on the second death and that the introduction of the change from one to the other has produced a tax holiday but not a permanent lightening of the burden.

The reason for this is that the commonest disposition of assets on a husband's death is to his wife either directly or by a spouse trust. Under estate duty rules, tax was payable on his death and on the liferenter's subsequent death the assets

passed usually to the next generation, free of further tax. Under the new tax nothing is payable on transfers to the widow but tax is payable on her death.

Accordingly in the period after the changeover, virtually no tax is payable as the second deaths have already paid tax and the first deaths don't pay any. As the years pass "exempt" deaths will gradually diminish and the full burden of the tax will gradually appear. It will take ten years at least for the true burden of the new system to appear. At present all calculations about the burden of capital taxes are hopelessly misleading. J. R. Gibb, 36, Renfield Street, Glasgow.

Olympic Games site

From Mr. T. McNaughton.

Sir, — Judging by the difficulties experienced by the Olympic Games committee in finding venues for the Games, due to the enormous expense involved, it is surely time for consideration to be given to the alternative of having the Games staged at a permanent site. This would ensure that the facilities would be superb and the standards for the athletes would always be directly comparable with those of previous Games. And if this suggestion is taken up, what better venue than Athens? T. G. H. McNaughton, P.O. Box 501, Blantyre, Malawi.

Executive action

From Miss I. Cassidy.

Sir, — O lackaday, Observer, on April 27 your column shattered the peace of mind of one of your oldest fans! Don't you realise you are spreading alarm and despondency among all good secretaries when you suggest they may in the near future be displaced by executives who have been trained "to tap out their own messages on video and telex machines if they want to get things done quickly"?

But, seriously, perhaps you can persuade Pitcher the Chip to come across with some more detailed information about this self-service available to executives, because for my part I would really like to know how those on the receiving end of the messages get on when they are engaged in transmitting their own edicts, and indeed when in some cases neither video nor telex apparatus may be available to receive communications. Besides, where are the permanent records (if any) of said instructions or memos stored? I cannot imagine the service is intended for correspondence with the public, where typing is generally required for legibility if nothing else.

did not cover all the usual skills expected of competent secretaries.

Come on, Observer, put us out of our misery by getting your Science Editor to deal with this subject in his usual elucidatory and informative style. (Miss) Isobel Cassidy, 30, Chadston House, Halton Road, NI.

Playing the market

From Mr. S. Friedlander

Sir, — The review of Mr. Paul Richards' book and Mr. Robert Salomon's study (April 28) are both evidence that institutional investors ignore the inherent nature of markets — fluctuation, and the most profitable investment strategy — the exploitation of fluctuation. Far from being boring, as Mr. Salomon claims, the U.S. market has been increasingly stimulating as the violence of fluctuation has increased.

Mr. Richards' comments on random walk are irrelevant to institutional under-performance. The reason is excessive diversification and unwillingness to make massive shifts from being fully invested in stocks around cyclical lows and uninvested around cyclical peaks. The dominant cycle has even been periodic, about four years from low to low, with lows in 1957, 1962, 1966, 1970, 1974 and 1978.

The worst mistake attributed to Mr. Richards' book is that "charism is futile." It is the only way to try to comprehend fluctuation which is what the stock market is all about. S. M. Friedlander, 7, Sussex House, Gentilly Road, NW3.

The role of judges

From Mr. D. Stebbings

Sir, — The Haldam Society is standing on its head in demanding Lord Denning's retirement. Lord Denning is not a negative judge who is anti trade union. He is a positive judge concerned for the individual's freedom and protection from those in position to abuse their power, whoever they may be. What else are judges for? D. L. Stebbings, 1, Wapping Pierhead, Wapping High Street, E1

No ship subsidy in Finland

From the Managing Director, Federation of Finnish Metal and Engineering Industries.

Sir, — In your report "Decision in May on Ship-Build" (April 23), it was stated that the Finnish competitor for the order was being heavily subsidised. On behalf of the Finnish shipbuilding industry we categorically deny that there are any export subsidies for the shipbuilding industry in Finland, other than the normal export credits regulated by the Organisation for Economic Co-operation and Development agreements.

Today's Events

- UK: London Chamber of Commerce conference on sterling and UK exports — speakers include Prof. Brian Griffiths, City University; Mr. William Butt, National Westminster Bank; and Mr. Keith Harwood, Macey's corporate buying.
- Sasse syndicate meeting at Lloyd's of London to discuss future management of syndicate.
- AUEW conference, Winter Gardens, Eastbourne.
- EPEU conference, Conference Centre, Brighton.
- Two-day Ayrshire Agricultural Show opens.
- International Freightling Services and Equipment Exhibition and Conference opens, Harrogate (until May 4).
- Exhibition of synthetic jewellery and gems opens at Goldsmiths' Hall (until May 25).
- Overseas: Mr. Masayoshi Ohira, Japanese Prime Minister, starts trade talks with President Carter in Washington.
- IMF gold auction.
- Asian Development Bank meets in Manila (until May 4).
- Herr Helmut Schmidt starts three-day visit to Bulgaria at invitation of party leader Todor Zhivkov.

Walker and Co. Interim dividends: National and Commercial Banking Group, Safe Guard Industrial Investments.

COMPANY MEETINGS Equity and Law Life, Lincoln's Inn Fields, WC. 2R. Expanded Metal, Institute of Directors, 116 Pall Mall, 12.30. Fairclough Construction Group, Midland Hotel, Manchester, 11.30. Family Investment Trust, 20 Fenchurch Street, EC. 2.30. Federated Land in Building, WC. 1R. Old Broad Street, EC. 12. Lambert Howarth, Burnley Crest Hotel, Burnley, 12. Hugh Mackay, Royal County Hotel, Durham City, 12. Thurgar Borex, Telford Way, Kettering, Northants, 11.30.

OFFICIAL STATISTICS Treasury publishes April UK official reserves. Bank of England releases capital issues and redemptions (during the month of April).

COMPANY RESULTS Final dividends: Allied Plant Group, Altham, Clarke (Cement) (Holdings), Continental Union Trust, Furness, Wither and Co. Hawtin, Laporte Industries, Macdonald Martin Distilleries, Manchester Liners, Peninsular and Oriental Steam Navigation Company, J. O.

Scottish Equitable now offer a savings plan that, after just 10 years, allows you to withdraw your cash at any time — by simply writing yourself cheques. **ChequePlan.**

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UK COMPANY NEWS

Smith & Nephew ahead in first 12 weeks

In the first 12 weeks ended March 24, 1979, pre-tax profits of Smith and Nephew Associated Companies rose 11.5 per cent to £5.01m on third party sales, up 4.5 per cent at £44.49m.

HIGHLIGHTS

Lex looks at the liquidity position of institutional investors and takes the view that it is rather low. The British airline business comes in for comment on the announcement of Davies and Newman's figures, while the full accounts from Guest Keen are also examined.

£1.2m by Rush & Tompkins

PROFITS before tax of the Rush and Tompkins Group reached £1.17m in 1978 compared with £1.27m in the previous year—first half profits had dropped slightly from £408,000 to £392,000.

Table with 2 columns: 1978, 1977. Rows include Turnover, Operating profit, Interest, etc.

The year's profit is after interest and expenses of £415,000 against £877,000 and an exceptional credit in 1977 of £182,000.

Earnings per 25p share are shown as 9.2p compared with 10.6p and net assets per share amount to 240p against 234p.

The final dividend is 2.233p lifting the total from 3.899p to 3.203p.

Wire & Plastic

DESPITE the fall of some £14,000 to £148,889 in the first half, Wire and Plastic Products finished 1978 with pre-tax profits of £374,407 compared with £347,009 previously.

In their interim report, the directors said that despite a modest sales increase they were not able to hold profit margins.

As expected, the dividend total is increased—from 2.14p to a maximum permitted 2.36p with a final of 1.46p. A two-for-five scrip issue is also proposed.

Alginate profit down to £1.6m

AS EXPECTED, substantially lower profits are reported by Alginate Industries for 1978—the taxable surplus falling from £2.5m to £1.6m. And the directors say it is almost impossible to give any indication of an increase in the current year, the road hauliers' dispute costing over £1m in lost production.

At mid-way, profits were down from £1.76m to £1.5m, and the directors said the full-year surplus was likely to be substantially lower than in 1977.

This forecast was confirmed in January at the time of the first bid for Alginate by Merck and Co. Inc.

In February, FMC and Co. made an offer and Merck increased its bid—both have been referred to the Monopolies Commission.

Turnover in 1978 was £18.37m compared with £16.74m last year. After tax of £296,000 (£872,000), earnings per 25p share are shown down from 34.77p to 24.41p.

The net dividend is raised from 13.9815p to 14.1731p, with a 9.877p final.

Group activities are the collection, drying and milling of brown seaweed, extraction of alginates, and worldwide sale of alginate products.

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profit downturn last year, perhaps increased competition in the group's vital export markets and higher sterling parities take on the greatest long-term significance. Profits were blighted by teething troubles in a new production process, the August strike at the larger of the extraction factories, the cost of the research department's move from Girvan to Tadworth and the construction of a new dam at Barcardine, which is still not complete. Secondary picketing in February caused the loss of £1m of production to cloud the start to the current year but competitive margin pressure, particularly from Norway, and the effects of involving in foreign currencies may have a more pronounced impact. Alginate's willingness to sit down and talk with Merck and FMC Corporation may be seen in that context. Both bids, which await a Monopolies Commission decision at the end of July, are regarded as "constructive" and any bidding would obviously start at Merck's initial (and accepted) offer of 38p per share. At 32p, down 8p, the shares still contain a speculative element for a p/e of 12.7, on an 18 per cent tax charge, suggests vulnerability on trading grounds. The yield is 6.3 per cent.

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Davies & Newman over £2m—prospects good

WITH ALL major activities operating on a profitable basis, Davies and Newman Holdings, the shipbroker, ships agent and Dan-Air airline operator, pushed profits through the £2m barrier for the first time in 1978.

Mr. F. E. Newman, chairman, explains that the result was largely due to better flight operating conditions and a reasonably stable situation regarding foreign currency and aviation fuel.

In 1977 the group profit fell from £1.85m to £0.8m but this was a year in which some £350,000 of revenue had been lost and increased costs of some £1.15m incurred as a result of industrial disputes affecting air traffic control in the UK and overseas.

Turnover rose from £17.5m in 1977 to £17.9m in 1978. Operating profit rose from £2.7m to £3.2m. Interest receivable rose from £2.1m to £2.2m. Interest payable fell from £2.2m to £2.0m. Share of associated companies rose from £0.8m to £0.9m. Profit before tax rose from £2.04m to £2.32m. Taxation fell from £0.52m to £0.45m. Net profit rose from £1.52m to £1.87m. Dividends rose from £1.2m to £1.3m. Retained profits rose from £0.32m to £0.57m.

As regards the current year the chairman says that some provision has been made in estimates for further air traffic control delays and other contingencies, and provided these do not increase, prospects appear good and he looks forward to another aviation sector year.

He reports that the results of the shipbroking company for the first quarter are ahead and there are no signs indicating a downturn in market conditions. On the aviation side, Dan-Air's capacity is fully taken up in 1979 summer season and the following winter. The airline is ready to cope with the anticipated high level of activity in the next few months.

Earnings per 25p share are shown to be up from 13.2p to 22.3p—the 1977 figure is adjusted to comply with SSAP.

IN LINE with their interim forecast the directors of Central & Sheerwood Ltd. reported record taxable profits for 1978 of £5.53m against a previous £4.66m, an increase of 18.6 per cent, on turnover of £70.45m compared with £63.82m.

After six-months profits had increased from £2.2m to £2.74m and the directors said that pre-tax figures in the second half should be at least equal to those of the first half. They remained confident that growth would be sustained.

The group says they are confident of a satisfactory outcome for the current year as a whole. Stated earnings per 5p share are 6.35p (5.46p) and the dividend is effectively raised to 1.375p (1.17695p) net with a final of 0.704p. Treasury permission has been granted.

Holcombe Holdings had another successful year, the directors state. Despite the prolonged Ford strike, the Dunn group's performance was excellent and Trianco-Redfye maintained a significant share of the oil and solid-fuel central heating boiler market. And Dawson MFP is making considerable progress, they say.

Newtown Chambers Engineering produced record profits, although it is still working below full capacity. Photopia International fully justified its profit expectations, the directors add, and the printing and publishing companies had a record year; their momentum is expected to be maintained.

Financial Services earned minimal returns, partly masking significant regional expansion financed out of revenue, but 1978 should be a better year, they say.

Turnover of Ransomes and Rapier was £20.12m (£20.51m) and pre-tax profit £2.44m (£2.33m). Tax took £592,877 (£34,000) and dividends absorbed £700,000 (£500,000). The amount retained was £1.15m (£1.4m).

Central and Sheerwood's final pre-tax figure is marginally above the interim forecast but the market, which had been

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corrected div., Total last year. Includes Alginate Inds., Anchor Chemical, Boustead, etc.

15. The dividend total is increased from 7.503p to 8.1554p, with a final of 5.4371p. See Lex

Increase at Tern Consulate

TAXABLE PROFITS of Tern Consulate, shirt and tie manufacturer, rose from £202,983 to £278,700 in 1978, on turnover up from £4.11m to £5m.

Reporting a midway profits increase from £65,762 to £102,168, the directors said the second-half trend was in line with budgets and the tie and shirt divisions were performing well.

The chairman now believes further progress will be made during the current year with all divisions' forward order books

Central & Sheerwood well on target with record £5.53m

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Banro chief confident

Results for the first half of 1979 at Banro Consolidated Industries should not be less than the £496,718 achieved last year, Mr. E. Rose, chairman, said at the annual general meeting, despite the road haulage strike disruptions earlier in the year. He added that the group looked forward to the future "with a lot of confidence."

Profits for the whole of 1978 were a record £1.07m.

Yearlings fall to 11%

The coupon rate on this week's batch of local authority yearling bonds has fallen to 11 per cent from 11 1/2 per cent the previous week. Issued at par, they are due on May 7, 1980.

The issues are: City of Exeter (£0.75m), Borough of South Tyneside (£0.75m), Ribbles Valley Borough Council (£0.25m), Tewkesbury Borough Council (£0.5m), Borough of Wolverhampton (£0.5m), Wellingborough District Council (£0.25m), Llanelly Borough Council (£0.25m), Bury Metropolitan Borough Council (£0.5m), Lichfield District Council (£0.25m), Lothian Regional Council (£0.35m), Buckinghamshire County Council (£1.5m), London Borough of Hounslow (£1.5m), London Borough of Wandsworth (£0.5m), Southend-on-Sea Borough Council (£1.5m), Blaby District Council (£0.25m), Bromsgrove District Council (£0.5m), Salisbury District Council (£0.5m), Alnwick District Council (£0.15m), Bartsley Metropolitan Borough Council (£0.5m), London Borough of Greenwich (£1m), Hastings Borough Council (£0.75m), Brighton Borough Council (£1m), Fife Regional Council (£1m), Borough of Knowsley has raised £1m through the issue of 11 1/2 per cent bonds at par, due on April 28, 1982, while Kilmarnock and Loudon District Council has raised £0.5m and South Down Berkshire District Council £0.25m with the same terms and maturity. Sedgfield District Council has issued £0.35m of 11 1/2 per cent bonds at par due on May 2, 1984.

Provincial Laundries asks for more cash

For the second time in seven months Provincial Laundries is asking shareholders for a cash injection. The latest call is for £0.75m by way of rights on the basis of one-for-two at 25p per share, while holders of the £364,978 12 per cent Convertible Unsecured Loan Stock 1988-88 will be offered five new ordinary shares for every £1 of nominal stock held. The issue has been underwritten by Messel and Co.

This follows a rights issue last September of £364,975 of convertible stock at par in the proportion of £1 of stock for every 11 ordinary shares held. Mr. J. A. Peacock, chairman, said yesterday that the proceeds of the latest issue will be used to expand the garment linen hire side of the business and re-equip and modernise the laundries. The company also had "a number of acquisitions in mind."

Issue News

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Haden advances to £2.74m and expects further improvement

A SHARP advance in pre-tax profits from £0.63m to £1.72m in the second half boosted the 1978 result of Haden Carrier, building services and metal finishing engineering group, to £2.74m, compared with £1.42m previously. And the directors anticipate a further improvement in the current year.

A record taxable surplus of £3.27m was achieved in respect of 1978.

Tax for the reported year takes £1.36m (£0.62m) and earnings per 25p share are given almost doubled from 8.7p to 17p. A final dividend of 8.703p lifts the total to 8.703p net against 7.785p last time.

The result excludes a profit of £222,000 (£123,000) made in Nigeria—only the £28,000 share of the limited dividend has been included.

Sir Alan Pullinger, chairman, says that once again a good result was achieved in the UK despite difficult trading conditions. Profit was slightly down on the

previous year and so were new orders, though margins were somewhat improved.

In the Middle East, problem contracts have been tackled resolutely but the group is still having to support the associated heavy overheads in the UK. Evens in Iran have resulted in closure of substantial contracts there, without loss, but reducing the profit that would have been made in 1978 and in future years.

The year's profit is after interest and expenses of £415,000 against £877,000 and an exceptional credit in 1977 of £182,000.

Almost doubled pre-tax profits from Haden Carrier were enough to lift the shares 8p yesterday to 125p. That may be very near the top of the 1978 trading range but, once again, the performance is studded with many hits and as many misses. On the plus side, the need to provide for Iranian losses has been avoided, although the group will have to forgo a considerable level of potential profit and the Middle East deficit is better than halved.

The U.S., too, must be a cause of some satisfaction where the level of demand from the motor industry was enough to lift the contribution by a quarter. Against that, Australia slipped a further £330,000 into the red, the Belgian and Spanish operations suffered a shortfall, while France, where further pruning may be necessary, lost about £1m pre-tax. UK profits dropped by over £500,000 on a 18 per cent turnover improvement although the slightly lower level of new orders looks to be coming through on a more profitable basis. The historic p/e of 7 and a yield of 10.9 per cent may be overlooking the chances. Middle East recovery permitting, of heading the 1978 profit peak of £3.3m but the track record suggests the need for caution. France and Australia, for example, have been periodic troublemakers for at least the past five years and the market can only hope that their problems are finally being corrected.

PHOENIX ASSURANCE COMPANY LIMITED. Another year of good progress. The following record of progress is compiled from figures revealed in the Statement by the Chairman, Mr. Jocelyn Hambro, and the Annual Report for 1978. The picture presented by the figures is one of substantial growth and underlying strength spanning a period of years marked by fluctuating social and economic conditions in the territories where the Company trades. GROUP RESULTS table with columns for 1978, 1977, 1975, 1972. 1978 REVIEWED section with bullet points.

King & Shaxson Limited. 52 Cornhill EC3 3PD. Gilf Edgemoor Management Service Index 1.5-7.9. Portfolio I Income Offer 32.85. Portfolio II Capital Offer 150.47. Bid 149.89.

THE NEW THROGMORTON TRUST LTD. Capital Loan Stock Valuation—May 1st, 1979. The Net Asset Value per £1 of Capital Loan Stock is 266.96p. Securities valued at middle market prices.

St. Piran gives undertakings. The battle for control of Saint Piran continued yesterday when the directors of the company gave three undertakings to the High Court. The directors successfully applied for an adjournment of proceedings brought by dissident shareholders, led by Max Lewinsohn, on condition that the directors undertook: 1-To refrain from taking any action other than in the normal course of business; 2-To prevent the appointment of any new directors to the Boards of the parent or subsidiaries; 3-To prevent the granting of new or the alteration of existing service agreements or contracts with directors of the parent company or its subsidiaries.

Poll vote or long shot? The party returning the greater number of seats to Parliament. 2/7 Conservative 11/4 Labour. To win and have an Overall Majority 4/9 Conservative 5/1 Labour. To win and have no Overall Majority 5/1 Conservative 9/2 Labour. LIBERALS & SCOTTISH NATIONALISTS SEATS IN PARLIAMENT table. ODDS FOR OVERALL MAJORITY table. Better bet Coral logo.

Worldwide growth in demand for our products and services



A vote of confidence for the future

Bowater

788

Sound financial base	X
After-tax earnings up 17½%	X
Largest newsprint producer in USA	X
Biggest coated paper maker in Britain	X
Largest raw cotton merchant in World	X
Continued improvement in return on assets	X
Packaging and tissues for home and industry	X

	1978 £m	1977 £m	Change %
Trading profit	111.8	110.5	+1
Profit before taxation	90.0	87.0	+3
Profit before extraordinary items	35.6	30.3	+17½
Added to ordinary shareholders' funds	18.0	15.8	+14
Pence			
Earnings per ordinary share	23.6	21.9	+8
Dividend per ordinary share	10.83	9.78	+10
Net assets per ordinary share	242.2	229.6	+5
%			
Return on assets employed	18.9	18.2	
Contribution to trading profit			
United Kingdom	31.0	32.0	
Overseas	69.0	68.0	



The Bowater Corporation Limited

The Annual Report has been posted to shareholders.

Copies are available from
The Secretary,
The Bowater Corporation Limited,
Bowater House,
Knightsbridge,
London SW1X 7LR

Annual General Meeting
Dorchester Hotel, London, 11.30 a.m. Friday, 18th May, 1979.

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Companies and Markets

MINING NEWS

CRA set for 'healthy' rise in earnings

BY KENNETH MARSTON, MINING EDITOR

"A HEALTHY increase" in this year's group earnings of Cranfield Resources is forecast by the chairman, Sir Robert Carnegie. Speaking at yesterday's Melbourne meeting he said that this anticipation was dependent on a maintenance of current metal prices and exchange rates coupled with improving sales.

He pointed out that prices of copper, lead and zinc are from 30 per cent to 50 per cent higher than the averages for 1978. Looking at the lead and zinc producing Australian Mining and Smelting subsidiary, Sir Roderick added that it was generating modest profits on the real value of the assets employed.

Meanwhile, lead demand remains strong and production of AM and S is at high levels and stocks are low. The zinc market has also remained strong after its recent recovery and thus the outlook for group smelters is favourable.

In the hope of extending the mining life of the Broken Hill mines "into the next century" AM and S is looking into the possibility of mining the lower grade ore which is presently uneconomic.

The company has thus approached the New South Wales Government for a reduction in royalties and the unions for an agreement on productivity, but so far there is nothing to report, said Sir Roderick.

An echo from the UK hushings came with Sir Roderick's comment on CRA's need to attract employees having skill and initiative. "Australia's present high marginal tax destroys such initiative. It penalises those who earn high wages and it fosters tax avoidance. At a time when Australia needs to start new projects, tax rates discourage the people needed to work in them."

comment
Thanks to the second-half recovery in metal markets, CRA's 1978 earnings of \$177m (\$41m) matched those of the previous year. All sectors of the group are set to earn more this year, notably AM and S and the copper-gold producing Bougainville. Hamerley should also make a better showing despite the pending closure of its iron ore pellet plant.

The aluminium-producing Comalco complex is hopeful, although some what cautious about 1979 prospects while the uranium-producing Mary Kathleen has now become a profit-earner. For speculative speculators there is the group's 56.8 per cent stake in the Ashton diamond exploration venture in Western Australia.

At the current London price of 248p, however, the shares are on a p/e of 19 and yield only 2 per cent. Shares of the parent Rio Tinto-Zinc offer a better yield of 5 per cent and look to be a more attractive proposition

to a UK investor even on the assumption that CRA will hit current year's earnings to, say, 40 cents per share from 24 cents in 1978 and raise the dividend to 15 cents from 10 cents. CRA shares also have the advantage to a UK holder of carrying the dollar premium. But, as yesterday's weakness in the UK equity market suggested, these considerations might be outweighed to some extent in investment thinking by the uncertainties arising from a re-election of a Labour Government, or a hung Parliament, in the UK.

FIRST ASSAYS AT JINGELIC
First drilling results are announced by Canada's Pacific Copper from its recently acquired tin-tungsten property near Jingelic in southern New South Wales.

Hole MP4 has intersected at a depth of 31 metres a core length of 1.22 metres mineralisation grading an encouraging 2.05 per cent tin and 0.59 per cent tungsten. Hole MP5 has cut mineralisation at a depth of 61 metres and assays are expected shortly.

Meanwhile, Pacific Copper is about to issue a report on the start-up of the Tarrington tungsten mine in New South Wales. Pacific Copper shares are around 92p in London.

INCOME CLIMBS AT TEXASGULF
The recovery of demand and a higher level of metal prices have lifted the first quarter profits of Texasgulf and Sherritt Gordon, two North American mineral producers, thus consolidating the trend towards increased earnings among major mining groups.

In reporting higher sales and earnings, Texasgulf, which is active in base metals and ferrous minerals, said its products are "in strong demand with prices increasing from the depressed level of the past several years", writes John Sogahian from Toronto.

With nearly six facilities operating at or near full capacity, unit costs have moderated.

Net income for the group, which is based in Connecticut, was \$22.3m (£10.7m) in the March quarter. At 61 cents a share this was 112 per cent higher than the 27 cents earned in the comparable quarter of 1978.

The rise in earnings at Sherritt Gordon was even more pronounced. First quarter income was \$39.2m (£3.89m) or 72 cents a share against \$28.5m or 20 cents a share in the same period of 1978.

Results from the mining division reflected higher prices for all products, particularly for

copper and cobalt. The fabricated metal product group had record operating levels and earnings. But the volume of fertilizer sales fell from the high level of the 1978 last quarter, although prices were higher.

JIMBERLANA AND AQUITAINE DEAL
Australia's Jimberlana Minerals and its joint venture partner in the Mt Bundy uranium exploration prospect in the Northern Territory, Pan d'Or Explorations, have entered into a letter of agreement with Aquitaine Australia Minerals which creates a new joint venture.

Aquitaine has agreed to spend A\$1m (£590,000) on exploration to earn a maximum interest of 50 per cent in the areas involved. After this Jimberlana will have a 25 per cent stake and all three parties will provide the further funds which may be required in proportion to their interests.

Failure of the parties to meet their expenditure commitments will, of course, result in a fall in their interests. In the case of Jimberlana, however, this would still leave the company with a minority stake in the project interest of a 2 per cent net profit carried. Jimberlana shares are currently 95p.

QUEBEC HOPE AT PANCONTINENTAL
Pancontinental Mining, the Australian uranium company with hopes of mining at the Jabliuka deposit in the Northern Territory, has moved a further step towards the consolidation of its presence in Canada.

Its Canadian subsidiary is to recommend to Cominco and James Bay Development Corporation a further drilling programme at the Otish Mountain uranium prospect in Northern Quebec. Pancontinental is operator for a joint venture of the three companies.

The recommendation follows preliminary interpretation of an open hole drilling programme. Detailed geophysical analysis of uraniumiferous samples continues.

In another venture, Pancontinental is engaged with Focus Resources, which is preparing an application to the British Columbia Petroleum Corporation for a gas pipeline in Northern Quebec while, in Australia, engineering studies for the underground development of Jabliuka and work on an environmental impact statement have continued. The shares were 72p yesterday.

ROUND-UP
The workforce at Central Norseman Gold in Western Australia has voted to continue a strike, which has already lasted for a fortnight, called in protest against the company's failure to meet payments made to employees in the state nickel mining industry.

Teck Corporation and Niobec Inc. are to invest a further \$310m (£24m) to raise the capacity of their niobium mine in Quebec to 7.5m lb from 5.5m lb. Niobec is jointly owned by Teck and Soquem, the Quebec state mining agency. It is the only Canadian producer of niobium which is used in steel manufacture. A Teck subsidiary has meanwhile announced the purchase of a 25 per cent interest in Intermetals General of New York, a magnet systems manufacturer.

Vesgro, the Greenland lead-zinc producer in the Cominco group, is to pay a maiden dividend of 40 cents (16.9p) a share.

BOUGAINVILLE COPPER—Quarterly production report—March, 1978:
31/3/78 31/3/78
Production:
Ore milled (m dry tonnes) 8.90 9.46
Grade (per cent) 0.55 0.61
Copper (p a m s) 0.74 0.85
Silver (grams) 1.61 1.80
Concentrate:
Concentrate produced (dry tonnes) 145,800 165,440
Grade:
Copper (per cent) 29.01 30.06
Silver (grams) 32.58 35.24
Sulfur (grams) 76 75
Metal in conc.:
Copper (tonnes) 42,294 49,726
Gold (kg) 4,750 5,831
Silver (kg) 11,107 12,411

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7 Beaman St., New Bond St., London W1Y 6AB.
Tel: 629 6602.
Regarding the announcement in last Saturday's Financial Times the following extra information should be noted:
ENGLISH & FOREIGN SILVER & OLD SHEPHERD PLATE
Cat. 37a by post, 11 a.m. Friday, 4th May, 11 a.m.
WATERCOLOURS, Cat. 37b by post, Tuesday, 8th May, 11 a.m.
PRINTS, Cat. 37c by post, Tuesday, 8th May, 2 p.m.
PHILLIPS MARYLEBONE FURNITURE & OBJECTS.
Cat. 37d by post, 11 a.m. Friday, 4th May 10 a.m. View: Thursday 5.00-6.00.
PHILLIPS WEST 2 FURNITURE & OBJECTS.
Cat. 37e by post, 11 a.m. View: Thursday 5.00-7.00 and morning of Sale.
Phillips will be closed from 12 noon on Saturday, 5th May to 7.30 a.m. on Tuesday, 8th May.

UK COMPANY NEWS

BIDS AND DEALS

Artoc Bank disposes of Talbex stake

BY CHRISTINE MOHR

Artoc Bank has pulled its Middle Eastern clients out of Talbex Group less than 18 months after acquiring a 29.88 per cent stake. The shares, which were bought for a price thought to have been around 12p, were sold yesterday through Kitcat and Aitken to the largest shareholding going to Yorkgreen Investments and its chairman Mr. David Green.

Yorkgreen has acquired 12.1 per cent and Mr. Green 10.6 per cent. Mr. Green, a Northamptonshire farmer, will sell his stake at cost gradually to Yorkgreen in order to give it rights over 20 per cent of the shares, thereby allowing it to consolidate profits from Talbex in its own accounts.

A spokesman for Artoc yesterday explained the sale simply in terms of a worldwide portfolio review. Although the stake in Talbex fitted in with investment strategy 18 months ago, it no longer fits in. It is one of several investments, though the only one in the UK, which has been sold.

Shortly after Artoc became involved with Talbex, the UK group made a successful takeover for James Warren, a cash company which was also involved in insurance broking.

At the time it was thought that this business would be built up through Artoc's Middle East connections. In the event Talbex decided that it did not fit in and the broking business was sold.

Artoc then injected its 29.2 per cent stake in Birmingham contractors, Hoskins and Horton into Talbex which made an outright bid for Hoskins. That bid failed and Talbex sold its Hoskins stake at a profit over the price it had paid to Artoc.

The next event in Talbex's year was the announcement of a £2,000 loss for the six months to last January, after a year of record profits of £572,000.

In announcing the loss Mr. Stanley Lunt, the chairman, attributed part of the problems to poor performance from the Skelton Group of light engineering companies. It acquired this group from Artoc last July in return for shares which increased Artoc's stake in Talbex from 29.2 per cent to just under 30 per cent.

Yorkgreen, an investment group whose main trading subsidiary markets lighting diffusers, has had a chequered history over the past three years and has only just turned into profit. Yesterday Kitcat and Aitken explained that Mr. Green had embarked on a rescue policy over that period which had included the purchase of Interlite Linear Controls in order to give the group a source of earnings and cash flow. The stake in Artoc would further enhance its position on the stock market.

No board meeting has yet been held at Talbex but it seems certain that the four Artoc representative management of Talbex, including Mr. Stanley Lunt, the executive chairman, have bought the bulk of the balance of Artoc's stake not acquired by Yorkgreen. Certain discretionary clients of Kitcat and Aitken have also bought shares.

ASSOCD. BISCUIT
Associated Biscuit Manufacturers, which recently purchased Smiths Foods from General Mills of the U.S., is now on the takeover trail in Canada.

ABM's wholly owned subsidiary Associated Biscuits of Canada, which is in the acquisition of Dad's Industries for C\$4.62m (£1.95m).

Dad's, which has production facilities in Toronto, Regina, Calgary and Montreal, makes a range of high quality biscuits and cookies as well as crispbread products.

The syndication market for corporate and private leasing. With a view to expansion both in the UK and overseas, Colegrave is increasing its capital by the creation of 276,000 of new stock, most of which will be subscribed for by Dunbar.

Mr. David Backhouse, deputy chairman and managing director of Dunbar, Mr. J. H. Colegrave and Mr. J. C. R. Lenton have been appointed to the Colegrave Board.

TILING SELLS COX & WYMAN
Themas Tiling Group has agreed to sell the capital of Cox & Wyman, its Reading based paper-back printing subsidiary, to McCordale and Co., for some £2m cash.

At the same time Tiling has negotiated the sale of Cox and Wyman's Fakenham book printing and binding business, other than trade debtors and trade creditors attributable, and a 51 per cent interest in Wensum Graphics to Fakenham Press, which has been acquired by Richard Clay and Co., for a nominal cash consideration.

After taking into account the working capital requirements of Fakenham Press the directors of Clay estimate that the amount required to finance the acquisition will be in the region of £350,000.

GROVEBELL
Grovebell Group is adding another Vauxhall and Bedford dealership by acquiring Hill Garage (Manchester) for £350,000 in cash. Net tangible assets at the end of October were £234,217.

Grovebell has also purchased a Ford retail dealership, Vandewal, for £17,005 in shares.

DUNBAR STAKE IN WRB COLEGRAVE
Dunbar and Co. banker, is taking a 40 per cent stake in W. R. Colegrave, a company specialising in shipping transaction particularly in the shipping industry.

Colegrave was founded by Mr. Bill Colegrave in 1973 who until now has been the sole equity owner. Recently the company has expanded to take a share of

DRG to spend £25m this year

ALL DIVISIONS of the Dickenson Robinson Group are experiencing higher levels of activity, with order books firm and sales well ahead of the first quarter of last year, reports Mr. John Camm, the chairman.

He points out that like most British-based companies, the group has already suffered some lost trade and higher costs resulting from external industrial unrest and the exceptional weather at the beginning of the current year. However, the effect on the group's business will be less significant than at first anticipated, says the chairman.

During 1978 the group continued its programme of reorganisation. Certain businesses have been substantially restructured, leading to a reduction in the size of some operations and redundancies.

Provisional £1.28m has been made in the 1978 accounts for the balance of the reorganisation effort which will continue into 1979. The chairman hopes that this will complete the period of retrenchment.

Meanwhile the group has continued its investment programme. Capital expenditure in 1978 was a record £16m mainly for new machinery, and a further £18m had been authorised by the year end for investment in 1979. Since the beginning of the current year the group has committed additional expenditure, making a total of £25m for planned investment in 1979.

Mr. Camm says that although in 1978 the group had a cash outflow of £4.8m it still has a healthy ratio of equity to borrowings, especially when account is taken of the £28.64m balance of deferred tax. He believes that most of this can be released to reserves when the new accounting standard is adopted this year.

With the strong balance sheet and sizeable unused bank facilities, lack of financial resources will not hinder the group's progress provided investment decisions are sound and the group makes the best use of the in-

creased productivity these investments bring.

At the year end short-term deposits and cash totalled £3.92m (£5.14m) while bank loans and overdrafts were up from £7.08m to £10.54m.

As reported on April 11 group pre-tax profits finished 1978 9 per cent ahead at £33.83m after a fall from £12.8m to £9.7m in the first half. The trading profit of £28.74m (£29.19m) was split as to U.K. packaging £7.01m (£11.2m); stationery papers, adhesive tapes and office supplies £9.52m (£7.93m) and engineering £1.75m (£1.17m); and overseas £2.00m (£2.09m); Southern Africa £3.93m (£3.04m); Australia £0.69m (£0.22m); New Zealand £0.97m (£1.09m); and other countries £0.36m (£57,000).

The current cost profit before tax is given at £13.2m (£11.8m) after cost of sales adjustment £4.3m (£3.8m), additional depreciation £7.9m (£7.8m), less gearing £1.6m (£1.5m).

Meeting, Bristol, May 23 at noon.

Roberts Adlard profit up
From increased turnover of £11.1m against £9.06m, profits before tax of Roberts Adlard and Co., improved from £553,097 to £819,427 in 1978.

With first half profits up from £250,000 to £305,000, the directors said they hoped that trading would continue to be satisfactory during the second six months.

The year's profit includes a prior year credit adjustment of £112,500. Tax takes £204,781 (£201,061) giving earnings per 25p share of 17.33p against 11.62p.

The final dividend is raised from 2.725p to 3.073p making a total of 4.83p compared with 4.316p.

Fraser trustees reject offer

THE FAMILY trusts of Sir Hugh Fraser have rejected the offer of John Bright shares which pushed the Large stake over the 30 per cent level when it was obliged to mount a full-scale bid. Largs is an Isle of Man-based investment company.

The trustees repeated yesterday their previously declared intention of accepting the Lornho bid for SUITS unless a new suitor arrived on the scene. The Lornho bid—one Lornho share plus 115p in cash—was worth 195p on the basis of last night's closing price.

The formal rejection document also includes a pre-tax profit forecast of £541,000 (£506,000) for the year to end-March and the promise of a same again final dividend of 2.19p gross.

The board notes that "the level of the offer appears to have been determined by the price of

the syndication market for corporate and private leasing. With a view to expansion both in the UK and overseas, Colegrave is increasing its capital by the creation of 276,000 of new stock, most of which will be subscribed for by Dunbar.

Mr. David Backhouse, deputy chairman and managing director of Dunbar, Mr. J. H. Colegrave and Mr. J. C. R. Lenton have been appointed to the Colegrave Board.

EXTEL IN £0.25M TRIDANT DEAL
The buyer of the specialist printing divisions of Trident Printers turn out to be Exchange Telegraph.

Mr. Camm says that although in 1978 the group had a cash outflow of £4.8m it still has a healthy ratio of equity to borrowings, especially when account is taken of the £28.64m balance of deferred tax. He believes that most of this can be released to reserves when the new accounting standard is adopted this year.

With the strong balance sheet and sizeable unused bank facilities, lack of financial resources will not hinder the group's progress provided investment decisions are sound and the group makes the best use of the in-

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At the year end short-term deposits and cash totalled £3.92m (£5.14m) while bank loans and overdrafts were up from £7.08m to £10.54m.

Rotork Limited

Valve actuators, instrumentation design and engineering, specialist woodworking machinery and Sea Trucks.

1978 - a satisfactory year's trading

	1977	1978
£m		
Turnover	15.90	18.85
Profit before taxation	3.22	3.30
Taxation	1.35	1.44
Profit after taxation	1.87	1.86
Extraordinary items, etc.	0.40	0.16
Profit after extraordinary items	1.47	1.70
Dividends	0.19	0.28
Retained in business	1.28	1.42
Earnings per share	10.2p	9.7p
Dividend per share	1.18p	1.31p

EXTRACTS FROM REVIEW BY THE CHAIRMAN, JEREMY FRY:
Group sales in 1978 increased by 18% and profit on trading by 4% over 1977, reflecting the continuing squeeze on margins. A loss on our marine business, coupled with the relative strength of sterling, prevented the group from making further progress. However, we consider that our Engineering divisions' results are still creditable in the context of companies trading in their market sectors.

The Manne division is expected to operate profitably in 1979, but throughout the group trading conditions are highly competitive. We have continued to increase our investment in research and development and new products are being introduced in the current year, including a range of pneumatic actuators in the USA.

Copies of the annual report are available from The Secretary, Rotork Limited, Bath BA1 3JG.

rotork

Lyons sale to Johnson Cleaners

Johnson Group Cleaners, is to buy James Hayes and Sons, subsidiary of the food manufacturing and catering concern J. Lyons, in a cash deal worth £2.13m.

James Hayes specialises in the retail of workwear to industrial and commercial companies and linen hire. It has three plants based at Letchworth, Norwood and Acton.

Its turnover and profits before tax for the 11 months to March 3, 1978, subject to final audit, were £2,08m and £188,000 (including £68,000 from sale of assets) respectively. Net tangible assets to be acquired were £2m, at March 3, 1978.

Explaining the reasons for the sale Lyons said without the hotel business, there is no strategic purpose served by retaining the Hayes business.

Development Bank Holding SA (TDBH) for £6.8m (£3.2m). TDBH and owners about 65 per cent of the capital.

TDBH, which has wished for some time to increase its stake, now owns 64.8 per cent of Republic.

The purchase price paid to Mr. Safra was based on the average price for Republic shares on the American Stock Exchange on each of the previous 10 days.

BMF REVERTS TO BRITISH HANDS
Resulting from Dawnay Day's continuing policy of taking new investments, British Headed Fibre has reverted from American to British ownership. BMF has been taken over by a new holding company in which the Burrows family, who were the founders of BMF, own 80 per cent and Dawnay Day 20 per cent.

The seller of 80 per cent of BMF is Mansfield Fibre and Rubber of the U.S., which has received over £1m for its shareholding. The Burrows family has exchanged its existing 20 per cent shareholding in BMF for shares in the new holding company. Dawnay Day provided the holding company with a loan of about £1m to enable it to buy Mansfield's shares in BMF.

BLACK AND EDGINGTON LAUNDRY
The offer by T. H. Silk to acquire Wolverhampton Steam Laundry has lapsed. Acceptance letters were received in respect of 54,487 shares (4.2 per cent).

In accordance with the offer arrangements, Mr. Silk has transferred to J. F. Nash 251,464 shares out of his holding of Wolverhampton shares. Therefore Mr. Silk is interested in 321,815 shares (24.8 per cent) and Mr. Nash in 251,464 shares (19.4 per cent).

MANOR NATIONAL DISPOSAL
Manor National Group Motors has completed the sale of the Crewe and Nantwich BL distributorships of Oliver Rix.

The initial receipt amounts to approximately £748,000 and is in respect of goodwill and freehold properties with a book value of some £225,000. An additional payment, currently estimated at £230,000, will be made on completion of the accounts for

CLIFFORD'S DAIRIES LIMITED

RECORD PROFITS

The Chairman, Mr. Gordon Clifford, in his Statement says

I am more than usually pleased this year, because of the success of our merger with County Dairies, whose results for six months from 1st July are included for the first time. Turnover increased by 48% to nearly £31 million and net profit before tax was 69% higher at £1,490,216.

Well set for a prosperous future

The recent long spell of bad wintry conditions caused lots of minor problems, but we came through very well and maintained our services and supplies almost as normal, thanks to splendid efforts by staff in all sections.

I wrote last year of the exciting prospects and opportunities offered. This year I confirm my expectations and am sure we are well set for a prosperous future.

Four Years' Progress	1978	1977	1976	1975
Turnover	30,895	20,574	18,457	14,262
Profit before Taxation	1,490	873	945	793
Taxation	569	245	332	319
Profit after Taxation	921	628	613	474
Dividend—per share	2.12p	1.90p	1.73p	1.55p
Times covered	4.5	5.4	5.8	5.0
Earnings per share	11.70p	10.36p	10.00p	7.73p

Copies of the Annual Report and Accounts for the year to 31st December 1978 may be obtained from The Secretary, Clifford's Dairies Ltd, Western Rd., Brockhall, Berkshire, RG2 1QA.

SALEROOM

PHILLIPS

THE AUCTIONEERS
7 Beaman St., New Bond St., London W1Y 6AB.
Tel: 629 6602.

Regarding the announcement in last Saturday's Financial Times the following extra information should be noted:
ENGLISH & FOREIGN SILVER & OLD SHEPHERD PLATE
Cat. 37a by post, 11 a.m. Friday, 4th May, 11 a.m.
WATERCOLOURS, Cat. 37b by post, Tuesday, 8th May, 11 a.m.
PRINTS, Cat. 37c by post, Tuesday, 8th May, 2 p.m.
PHILLIPS MARYLEBONE FURNITURE & OBJECTS.
Cat. 37d by post, 11 a.m. Friday, 4th May 10 a.m. View: Thursday 5.00-6.00.
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J.P. 11/50

Handwritten note: J.P. 10/50

Boustead pays extra 33%

ANNOUNCING record profits for 1978, Boustead, the rubber and oil palm group, is stepping up its dividend by 33 per cent to mark the 150th anniversary of the founding of the company.

With the second half showing an increase from £1.06m to £1.41m profit, before tax, emerge ahead from £1.89m to £2.35m. At mid-way the directors said that they were expecting a "worthwhile increase" for the full year.

They report that results for the first quarter of 1979 are satisfactory and prospects for the year encouraging.

Earnings per share are stated to be up from 5.03p to 6.59p and the dividend goes up from 1.5p to 2.0p, with a final of 1.3p. A one-for-one scrip issue is also proposed.

The directors point out that earnings per share increased by 27 per cent because of a reduced foreign tax charge and a lower level of unrelieved ACT.

Turnover	1978	1977
Operating profit	2,726	2,504
Investment income	83	107
Making	2,809	2,611
Share of associates	219	187
Profit before tax	3,028	2,798
Taxation	827	808
Net profit	2,201	1,990
Minorities	483	373
Dividend	230	173
Retained	1,971	1,817

With firm commodity prices and palm oil crops making up the first half shortfall, the plantation results for the year were satisfactory, they report.

The Singapore companies showed a 40 per cent increase in pre-tax profits over 1977. In

Stylo rises to record £1.13m

ON SALES ahead from £21.71m to £25.61m, taxable profits of Stylo Shoes, footwear retailer, rose from £964,000 to a record £1.13m for the year ended January 27, 1979.

At the interim stage the directors reported a lower deficit of £249,816 compared with a previous £349,467.

The net dividend for the year is increased to 1.92p net per 25p share—last year's payment is boosted to 1.74606p with an additional 0.0006p, now payable, on the reduction in ACT.

Tax for the period took £836,000 (£583,000) and minorities £7,000 (same). There was an extraordinary credit of £108,000 against a £32,000 debit last time.

The directors say that the pre-tax figures do not compare directly: earnings for 1978/79 reflect an additional depreciation charge of £168,900 arising from a change in accounting policy.

Wadham Stringer moves ahead to record £4m

Taxable profits of Wadham Stringer jumped from £3.24m to a record £4.01m in 1978 on turnover well ahead from £141.5m to £198.7m. But the increase in the surplus was trimmed in the second half.

At mid-way the vehicle distribution and retail group had advanced by around £1m to £2.5m.

Mr. F. C. Stringer, executive chairman, says that had it not been for the Ford strike at the end of 1978, the short supply of Vauxhall cars later in the year and the increase in interest rates, taxable profits would have risen to an estimated £4.5m.

He added that the car market is buoyant and he is confident the year's results will be satisfactory. However in the early weeks of this year business was hit by the bad weather and the lorry drivers' strike.

Tax for the year is up from £588,000 to £1.09m leaving net profit up 24 per cent at £2.92m.

Turnover	1978	1977
Operating profit	198,668	141,523
Associated profits	5,875	4,515
Less prior yr. adjust.	32	13
Interest payable	1,884	1,123
Profit before tax	4,013	2,229
Tax	1,091	588
Profit after tax	2,922	1,641
Minorities	35	54
Extraordinary debit	70	110
Dividends	2,815	2,400
Retained	2,014	1,731

At the end of 1978 the ordinary shareholders' equity interest rose to £24.25m giving stated net

assets per 10p share of 77p, compared with 59p.

Taxation has been reviewed in the light of SSAP 15 and £4.15m written back to reserves for the years to 1977.

A final dividend of 1.356p net lifts the total to 2.2p to 2.456p. Stated basic earnings per share are up from 8.55p to 9.07p, and fully diluted from 7.87p to 9.07p.

Wadham has reached agreement to buy Boniface and Cousins, Austin and Morris dealers in Fareham, Hants. The payment, in cash, will be equal to the net asset value shown in the accounts for the year to April 30, 1979. It is anticipated this will be about £150,000.

comment

After a rise of two-thirds at the halfway mark, the 24 per cent annual pre-tax profit improvement by Wadham Stringer must be seen as something of a disappointment. Had it not been for higher interest rates towards the end of 1978, a shortage of Vauxhall models and the Ford strike, which cost some £150,000, the improvement would have reached 40 per cent. Debt servicing costs are set to fall this year thanks to the finer spreads offered by the new BL stock financing scheme. But pre-interest margins in the second half of last year, against the comparable period of 1977, fell by around half a point and the inference must be that competitive pressures on at least certain sections of BL volume range

have been growing. The group is confident that it will make good the effects of the transport strike and the winter's atrocious weather while the H. Beare acquisition, after conservative accounting adjustments last time, is budgeted to contribute £210,000. Two new acquisitions are in the pipeline but on a static new vehicle registration forecast, the market is scaling its expectations down to no more than £4.5m for 1979. The share price dropped 4p yesterday to 42p where the p/e is 4.6 on stated earnings and a yield of 9 per cent probably offers more support.

comment

Construction equipment manufacturer A. C. E. Machinery (Holdings) asked for its shares to be suspended on the Stock Exchange yesterday ahead of an announcement from the group.

The suspension price was 110p, which valued A. C. E. on the stock market at £1.7m.

Major shareholders in A. C. E. include Industrial and Commercial Finance Corporation with a holding of 41 per cent; Scottish Northern Investment Trust with 17.6 per cent; and Estate Duties Investment Trust with a near 10 per cent.

Second half pickup gives Spear & Jackson £1.83m

AFTER REPORTING a £135,000 fall at mid-way, taxable profits of Spear & Jackson International picked up from £345,000 to £347,000 in the second half of 1978 to finish 34 per cent higher at a record £1,829,000, compared with £1,365,000 a year earlier.

Turnover of this Sheffield-based maker of steel, saws and hand tools, slipped from £38.94m to £38.08m for the year. Interest charge was reduced at £380,000, against £314,000.

With stated earnings per 25p share more than doubled from 10.5p to 22p, the net dividend total is kept at 9.375p with a final of 8.5p (same).

The directors say it would be unwise to make any firm prediction for the current year as a whole, but add that it is encouraging that despite adverse trading conditions in the opening months, management accounts to date indicate profits are satisfactory.

At the attributable level, there was a turnaround from a loss of £115,000 to a £785,000 profit for 1978.

Tax took £837,000 (£685,000), minorities £20,000 (£117,000), and extraordinary debits £287,000 (£578,000).

During the year the company restructured its banking arrangements in the UK and bank facilities have been increased.

Total borrowings have been reduced by £5.4m and gearing has improved from 76 per cent to 35 per cent.

Restructured banking arrange-

ments, together with the much reduced level of borrowings, have considerably strengthened the financial position and offer the opportunity of controlled growth in the medium term, the directors state.

comment

The latest figures from Spear and Jackson dispel any lingering doubts shareholders might have had in reflecting Hestair's offer. Profits have more than recovered and would have been £100,000 higher but for the recent strength of sterling while the balance sheet is looking much healthier with borrowings down to £3.1m—just 35 per cent of shareholders' funds against 76 per cent a year ago. Time has proved that shareholders were right in refusing Hestair's offer. The company's performance is showing through in a broadened and diversified and in particular the expansion programme in Canada is moving apace while the UK trade, still aimed at the consumer market, has shown volume growth of around 15 per cent in a static market. Gearing slipped down the business—Australia was told off last year—the company is now looking at new areas of expansion. North America is a likely field for the industrial side while in the UK another tool business could be added on. The first reaction is that America the weather and the balance sheet and accounting nothing can wrong—such as a recession in the U.S.—profits

Samuelson Film rise midway

Pre-tax profits of Samuelson Film Service, supplier of equipment and services to the film and television industries, jumped from £283,000 to £206,000 in the six months to September 30, 1978.

The surplus was struck after depreciation of £310,000 compared with £221,000 previously.

The net interim dividend is maintained at 3p per 20p share—last year's total payment was 8.35p on taxable profits of £224,000.

The directors say the figures reflect a very high level of activity on the facilities side of the film industry. The second half has seen a return to more normal conditions. UK group equipment rental turnover in the six months to March 31, 1979, showed an 11 per cent rise over the same period of the preceding year.

It is impossible to predict what the full-year out-turn will be, the directors say. It would be wrong to assume first-half profits will provide a reliable guide.

Matthews Wrightson up against over capacity

Over capacity in world insurance markets and the consequent reduction of premium rates creates a more difficult environment this year for all the insurance subsidiaries of Matthews Wrightson Holdings, warns Mr. Gordon Henry, the chairman.

But, he adds, the group's position in North America, with established offices there, gives us considerable opportunities in the longer term.

Commenting on the transatlantic realignments among U.S. and UK insurance brokers Mr. Henry says, "the major American insurance brokers involved in these alignments all emphasize the need for their intention, nor would it be in their access to the London market confined to a single broker."

Stewart Wrightson represents to them one of the largest independent and non-aligned London-based brokers able to meet their needs, free of the complications inherent in dealing through a broking firm with special ties to a competitor."

Mr. Henry stresses that apart from the major U.S. brokers there is likely to be a considerable movement of business emanating from the many medium and smaller-sized brokers. "All this should be to our advantage."

The group is planning to develop its network of 10 offices in the U.S.

Commenting on the group's three oil tankers Mr. Henry says that negotiations with the partnership have progressed during 1978 "and it is hoped that shareholders can be informed in the near future of a constructive

modification in the arrangements."

Under the present arrangements a provision for losses of £349,000 on ship operating had to be made in 1978.

The AGM is on June 4, 1979, 12 noon, the Baltic Exchange.

Winding-up orders

Orders for the compulsory winding-up of 40 companies were made by Mr. Justice Slade in the High Court.

They were: Jaysheel Fire Safety and Security Services, E. Wilson, Acomb Development, Aircraft, Broadway Motor Company (I. W.), TAD Shipping Services, Standstead Property Company, Taylor and Hammond, Valerie Boat Cushions.

Company Formation and Management Services, Chiswick Quay Marina Services, Impies, S. G. Thaine (Imports), Lines Fabrications, Rufford Sand Company, Medtainer Agencies, Medtainer Line, Austin Smith (Northampton), First Girl, Chim (Leisure), Switha Dave Bayes, T. A. J. Barraclough, T. and D. Flooring, Kaminski and Son, Fræcon Road Haulage, Centurion Developments (Swansea), M. Grant, Mereworth Estates, Ardahan Construction (Wardstead), Ingham Heat Exchangers, Spalding Heating, Peribond, Fleetway Heating, Nashbourne, Masequest, Elstree Landscapes, Haramo Properties, West-Lin Air, and Amilynn.

Sharpe & Fisher confident

Although conscious that the major part of the current year is yet to come, Mr. K. J. Fisher, chairman of Sharpe and Fisher, tells shareholders in his annual review that he is encouraged by the group's start and if trading continues at current levels, then he is confident of another good year.

As reported on March 29 taxable profits for 1978 rose by 34 per cent to a record £1.22m on turnover up by 18.3 per cent to £13.5m. The dividend is effectively raised to 2.1175p (£1.9863p) with a 1.4175p final.

The chairman says that the main reason for the improvement in 1978 was the handling of more volume within the group's existing overhead structure. So far in the current year, despite the bad weather, this

trend has continued in the builders' merchandising division, which accounts for some 90 per cent of turnover.

The retail DIY side has been more affected by the weather, he states, but he is confident this division will continue to prosper.

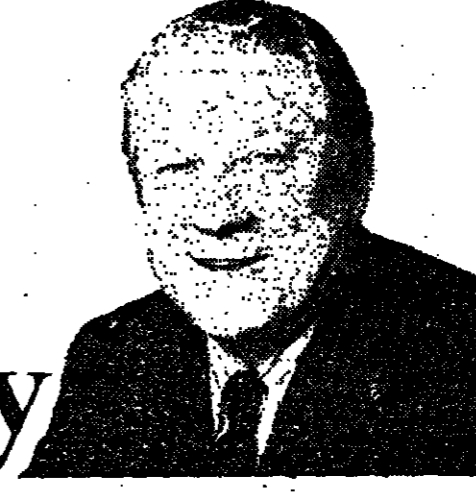
"We are continually looking for sites to expand both sides of our business," he says. But he adds the directors' policy is still one of careful expansion within the capacity of the group's resources.

As at December 31, 1978, the balance sheet shows fixed assets at £3.82m against £1.7m with total assets up from £3.95m to £6.36m.

Net liquid funds decreased by £224,889 compared with £118,883 increase.

Meeting, Golden Valley Hotel, Cheltenham, May 24 at noon.

Future growth and profitability



Extract from the annual statement of the Chairman, Sir Barrie Heath, DFC

The Company has been moving towards a more concentrated organisation based on strategically selected main business areas, which will provide a firm base for future growth and profitability. This period of reorganisation and change is inevitably disruptive and painful in some areas but it is essential to ensure our competitiveness and commercial viability.

Developments in main business areas include the new manufacturing facility to produce automotive components in Sanford, North Carolina, which should be ready to start production by the end of the year. We have taken also a number of moves to strengthen our position in the wholesale and industrial distribution sector including the acquisition of Stern Osmat (housewares, gardening and leisure equipment) and Parts Industries Corporation of Memphis, Tennessee (automotive replacement parts and accessories).

Exports from the United Kingdom showed an increase to £225 million from £203 million in 1977. On a Group basis, sales to the USA totalled some £72 million, an increase of 65% over the preceding year. This fine achievement reflects the success of our automotive companies in enlarging their share of the North American market for vehicle components.

I thank everyone in the Company for their understanding and loyalty and for their tremendous efforts in improving our performance last year.

RESULTS IN BRIEF

	1978	1977
	£ million	£ million
Turnover	1754.7	1639.2
Surplus before depreciation	157.7	139.9
Depreciation	61.4	56.8
Profit before taxation	87.3	72.3
Taxation	41.6	31.7
Dividends	26.3	23.5
Retained profit	13.3	9.3
Capital expenditure	85.3	70.8

1978 SALES		%
Primary metal products		14
Automotive components		41
Wholesale and industrial distribution		20
General and civil engineering products and services		25
		100

LAMBERT HOWARTH

Reported figures for the year ended 31st December 1978 include:—

	1978	1977
	£000	£000
Turnover	14,110	13,820
Profit before Taxation	645	474
Profit after Taxation	318	284
Net Assets employed	3,616	3,089
Issued Capital	600	600
Per 20p Ordinary Share: Earnings	10.5p	7.5p
Dividends	3.50p	3.17p

At the Annual General Meeting being held in Burnley today, members will be invited to declare the maximum Final Ordinary Dividend permitted under present controls, 2.50p per share, payable 14th May 1979.

A wide range of footwear is manufactured and supplied to Marks & Spencer Limited and to leading wholesalers, multiple chains and mail order groups in the United Kingdom. Sales for export amounted to £1,844,000 in 1978.

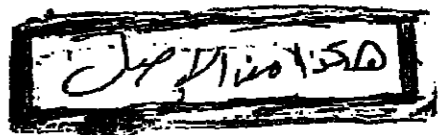
Exclusive distribution rights are held for GANNEX slippers.

The Chairman, Mr. C. L. Howarth, has expressed concern at rapidly increasing costs of leather and other raw materials and has reported that competition from imported footwear continues, particularly in the volume markets in which the group operates. Production in 1979 is expected to reach, at least, the level of the last year.

LAMBERT HOWARTH GROUP LIMITED
BURNLEY & ROSSENDALE, LANCASHIRE - ISLE OF MAN

GUEST KEEN AND NETTLEFOLDS LTD

If you would like a copy of the 1978 Annual Report please write to: Guest Keen and Nettlefolds Limited, GPR Dept., GKN House, 22 Kingsway, London WC2B 6LG Tel: 01-242 1616 Telex: 24911



NORTH AMERICAN NEWS

RCA sees upturn despite fall at NBC

By Our Financial Staff
RCA CORPORATION expects an upturn in results for 1979 despite an expected setback at the National Broadcasting Company subsidiary and substantial spending on its video disc project.

Mr. Griffiths said that the expected substantial downturn at NBC was a result of very low ratings for the last month or so. In the last annual report, RCA had predicted that NBC's earnings for 1979 as a whole would show the beginnings of an improvement.

NY Insurance Exchange to invite members

NEW YORK — The New York Insurance Exchange will begin accepting applications from prospective underwriting and broker members from tomorrow, Mr. Maurice Greenberg, chairman of the initial board of governors said.

Mr. Greenberg told a public meeting that the exchange, modelled on Lloyd's of London, is expected to begin operations late this year or early next year. The members, once selected, will vote on a permanent board of governors as the next step before beginning operations, he said.

Greyhound recovery under way in first quarter

BY OUR FINANCIAL STAFF

FIRST-QUARTER earnings from Greyhound Corporation, whose interests range from the operation of the largest bus system in the U.S. to Arma, the major meat and poultry processor, show signs of the hoped for recovery in earnings from the depressed levels of 1978.

Net earnings for the quarter increased by 30 per cent to \$9.5m, with earnings a share up from 17 cents to 21 cents. At \$1.1bn, sales are 23 per cent ahead.

Last year's earnings total was hit by the closure of three slaughterhouses and the related meat processing plants, involving a pre-tax charge of some \$51.4m. Earnings are expected to stage a recovery this year, and market sources have suggested a year end total of around \$1.95 to \$2.00 a share.

Revenues for the year have been predicted on Wall Street as likely modestly to exceed 1978's \$4.36bn. This would reflect largely continued elimination of unprofitable meat processing plants, although there should also be better results from the consumer products, food services and other sectors—with the notable exception of the bus operations, which currently provide about one-third of profits.

Results from the bus operations, which include regular route, charter and tour intercity services, as well as airport ground traffic, sightseeing and travel agencies, have been an impressive in recent years and the general investment view is that 1979 will not bring any change in this picture.

The big hope for the immediate future lies in the hope of an upturn in the food business, which in 1977 provided about a half of the group's revenue total, but only 7 per cent of earnings.

To achieve this goal, Mr. Barrow said that heavy capital investment will be required. He said Kennecott is developing plans to build a new plant at its Chino, New Mexico, property, for concentrating and smelting copper ore. The new facility would reduce operating costs for total production at Chino by some 20 to 30 cents a lb, he added.

Mr. Barrow said that the Chino facility would cost about \$300m, but could pay for itself in three years. A financing plan for the Chino investment is being developed, he said.

He also said that Kennecott is considering a \$15m investment at its Nevada facility to extract copper from the tailings pond. The Nevada facility, which was closed last year, would pay for the new investment within a year and become the lowest-cost copper producer in the U.S., he said.

Mr. Barrow said that the company's copper concentrator in Utah also needs to be modernised to reduce production costs further. The directors will meet later this month to consider the company's next dividend, and Mr. Barrow said he is "certain a change in dividend level will be discussed."

Kennecott is currently paying a regular quarterly dividend of 15 cents a share. Reuter

Harris expected solid expansion in the distributed data processing market and was also experiencing strong demand for satellite and semi-conductor products, especially in the U.S. and Europe, Mr. Boyd added.

Kennecott looks for sharp rise

NEW YORK — Following a 300 per cent rise in first quarter 1979 net income to \$21m or 64 cents a share, Kennecott Copper Corporation, the leading U.S. copper producer, expects results for the full year to be the best since 1974.

Mr. Thomas D. Barrow, the chairman, told the annual meeting. Kennecott in 1974 had operating income of \$165.6m, which excluded an extraordinary gain of \$42.3m. Last year the company earned just \$3m.

Mr. Barrow also repeated an earlier statement that Kennecott's corporate goal is to achieve a return on assets of between 12 and 15 per cent, which would yield earnings of some \$12 to \$15 a share by the mid-1980s.

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Mr. Boyd said that Harris hoped the introduction of its new medium scale digital computer next month would help the company regain its growth rate in computers. He said that Harris's computer sales showed "nominal growth" this year because of new product introductions by International Business Machines, Digital Equipment, and Hewlett-Packard.

In answer to questions, Mr. Boyd said Harris would have a negative cash flow of about \$40m. Cash flow would not be positive "for several years," but the company had about \$100m in cash and about \$90m of unused bank credit lines currently available, he noted.

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Harris confident of improvement

NEW YORK — Harris Corporation expects its net profits in the 1979 fiscal year to rise by 20 per cent to \$2.40 a share compared with \$2.11 in fiscal 1978, the chairman, Mr. Joseph A. Boyd, said.

Sales for the year ended June 30, 1979, would approach \$1bn, up from \$872m in fiscal 1978, he told analysts.

Mr. Boyd said that Harris expected to announce a new medium scale digital computer in a few weeks. The new product will be the most powerful processor in Harris's line of medium scale computers, he added.

Harris expects its 20 per cent earnings growth to continue in fiscal 1980 due to an unusually high backlog of orders, Mr. Boyd said.

Although he declined to specify what Harris's backlog was he said that at the end of the third fiscal quarter it was about \$100m ahead of the level a year earlier.

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Domtar boosts quarterly earnings

By Robert Gibbens in Montreal

DOMTAR, the major Montreal-based building materials, pulp and paper packaging group, reported net earnings of C\$22m (U.S.\$18.7m) or C\$1.48 per share in the first quarter against C\$8.8m or 58 cents per share the year earlier.

The company attributed the gain to exchange profits, higher volume in pulp, fine papers, newsprint and packaging, and the contribution from gypsum wall-board manufacturing in the western U.S.

Higher selling prices more than offset lower volume in chemical products.

Costs were continuing to rise but there was no room under President Carter's price guidelines to increase steel prices this quarter. Agencies

Edper raises Brascan stake
TORONTO — Edper Equities bought 3.5m Brascan shares on the open market yesterday. The company, which previously held 1.3m Brascan shares, said the purchase increases its interest to 18 per cent of Brascan's stock.

Edper Equities plans to requisition a special meeting of Brascan shareholders to consider Brascan's proposed offer for F. W. Woolworth. Edper, which opposes the Woolworth bid, said it has pledged support from Brascan holders representing a further 15 per cent of Brascan's shares. It said this support came "without solicitation."

Meanwhile, Brazil's congress has formed a commission of inquiry to investigate the government's \$380m purchase of Brascan's 83 per cent share in one of the country's major electricity companies, Light Servicos de Eletricidade, last January. Agencies

Republic of Gabon seeks \$70m Eurocurrency loan

BY JOHN EVANS

THE REPUBLIC of Gabon is seeking \$70m in the Eurocurrency markets via a seven-year loan.

Margins on the facility, which includes a three-year grace period, are 1 1/2 per cent over interbank rates for the first three years and 1 3/4 per cent thereafter.

Banque Nationale de Paris, Citicorp and Continental Illinois have been jointly awarded the mandate. The funds will be employed in financing the trans-Gabon railway and other priority projects. In the Middle East, Oman is borrowing \$150m over seven years to finance oilfield exploration.

The loan, with a three-year grace period, carries a spread of 1/2 per cent. Three banks will arrange the credit—Abu Dhabi Investment Company (acting as agent bank), Gulf International Bank and the Al-UBAF group. Morgan Grenfell is acting as financial adviser to Oman on the loan.

The Moroccan state agency, Office Cherifien des Phosphates, is to raise \$200m over 10 years for further development of the country's phosphate industry. The spreads involve 1/2 per cent for the first three years of the loan, rising to 1 per cent for the remainder.

Carrying the guarantee of the Kingdom of Morocco, the facility will be managed by the Al-UBAF group, Credit Lyonnais and Barclays Bank International. The Chilean state steel combine Compañia del Acero del Pacifico is returning to the market for a \$42m eight-year syndication.

The spread is 1/2 per cent. Grindlay, Brindley Ltd is now forming a management group. A further tax-sparing credit is being arranged for a South Korean borrower, Hazil Synthetic Fiber, under the guarantee of the Korean Exchange Bank. The eight-year facility carries a spread of 1/2 per cent, and the sole manager is Samuel Montagu.

Prices lower on U.S. interest rate fears
EUROBONDS
EURODOLLAR bonds continued to drift lower yesterday, in trading made uncertain by the direction of current U.S. Federal Reserve monetary policy.

Prices shed up to 1/2 point, although the holiday closure of many European centres contributed to slow business activity. The Eurodollar bond market appears to be developing a much more bearish atmosphere, witnessed by a growing list of quality bonds which are now starting to yield over 10 per cent, according to dealers. Despite these returns, most investors show little appetite for buying.

Issues displaying yields of 10 per cent or more include the Finland 9 1/2 per cent issue of 1986, currently returning 10.04 per cent. The Canada 8 1/2 per cent of 1983 yield 10.04 per cent. Export Development Corporation's 9 1/2 per cent of 1984 10.10, and Sweden's 9 1/2 per cent of 1986 Yonyee issue 10.05 per cent.

Elsewhere, Eurostarling straight bonds lost up to 1/2 point, reflecting a sympathetic weakness with the British stock market. On the new issue front, Nacional Financiera (Nafinsa), the Mexican development financing agency, is reportedly exploring whether it can tap the floating rate note market on the same terms as major banks. In Deutsche-Marks, a DM 20m private placement has been arranged by the Nippon Housing Loan Company. The five-year issue carries a coupon of 6 1/2 per cent, and pricing of 99 1/2. Lead manager is Bayerische Vereinsbank.

Mexican bank increases deposits and profits

BY WILLIAM CHISLETT IN MEXICO

BANCOMER, Mexico's leading private bank, has reported a net profit for 1978 of 1.5bn pesos (\$88.3m) against 874.3m pesos (\$58.6m) in 1977. Part of the 71 per cent increase is due to the different makeup of the balance sheet, which now reflects Bancomer's consolidation of its branches. And also its function as a multi-service bank.

Deposits increased by 32 per cent to 123.6bn pesos (\$5.5bn). Total assets rose by 31 per cent to 155bn pesos (\$8.8bn). Capital and reserves rose by 1.4bn pesos to reach 5.1bn pesos.

Last year was spectacular for Bancomer, as it was for all private banks, reflecting the restored confidence in the peso after its devaluation in 1978. The increasing oil discoveries have played a vital part in this recovery of confidence.

The volume of Bancomer's credit increased by 31bn pesos to 133bn pesos. Holdings in Government securities and deposits at the Banco de Mexico, the Central Bank, were 54.5bn pesos as against 45.5bn pesos in 1977.

During 1978, Bancomer offered 25m shares to the public, with a nominal value of 32.50 pesos each. The entire issue was sold in less than 10 hours and a second offering involving 35m shares was made. Bancomer's shares were quoted at 53.50 pesos last week. The annual general meeting authorised the payment of a dividend of 15.1 per cent.

Bancomer's stockbroking house, La Casa de Bolsa Bancomer, increased its assets from 11m pesos to 500bn pesos last year. In 1977, the monthly average of buy-sell operations was 150 and in 1978 an average 1,800. The value of 4.3bn pesos transactions was increased by almost nine times to 4.3bn pesos.

Orders rise at Koppers

PITTSBURGH — The chairman of Koppers Company, Mr. Fletcher L. Byron, said that although he saw signs of weakness in the economy, second quarter sales and earnings appeared to be "modestly better" than in the same period of last year.

In the 1978 second quarter, the engineering and wool group earned \$21.1m, or 84 cents a share, on sales of \$401.9m. Mr. Byron told the annual meeting that on March 31, the company's order backlog totalled \$749m, up from \$716m a year ago. He said that a 24 per cent increase in orders for manufac-

tured products more than offset a decline in the steel plant construction business. For the year, Koppers expects to spend \$173m on capital improvements, compared with \$145.5m last year, Mr. Byron said.

Shareholders at the annual meeting approved an increase in the authorised common shares to 60m from 40m. There are about 26m shares outstanding. Mr. Byron said there were no immediate plans for acquisitions, but the additional shares would most likely be used for this purpose. Reuter

BANKING IN CHICAGO

Battle for small business clients

BY MARALYN EDID IN CHICAGO

CHICAGO'S six largest banks are canvassing for customers in the local small and medium-sized business community.

Northern Trust, the city's fourth largest bank and number 35 nationally, recently decided to alter its image as a banker to Chicago's giant corporations and will now concentrate its attention on the other end of the market. LaSalle National Bank, ranked number six locally and 190 nationally, says it wants to be "the bank to Chicago companies" and has identified 10,000 manufacturers within a 75-mile radius of the city it would like to add to its list of customers.

Manufacturing, wholesale, retail, warehousing and service companies with sales ranging from \$100,000 to \$100m are the backbone of the area's economy. And, from the banker's point of view, they are loyal and profitable customers.

Small businesses are desirable clients because they tend to establish long term and personal banking relationships, as compared with larger companies which usually maintain contacts with several financial institutions. The six banks would claim that they can offer the entire spectrum of business and personal banking services, including cheque and savings accounts, working capital and expansion loans, cash management and estate planning.

In fact, the bankers try to persuade new customers who are seeking a business loan, for example, to make a full service arrangement.

"We cross sell our services,"

says the president of American National Bank and Trust, which is owned by Walter E. Heller and Company, the commercial finance company with international operations. American National Bank (number two locally and 10 nationally) and Harris Trust and Savings Bank (number three and 29, respectively).

Because each bank offers a similar range of services, winning the custom of small businessmen involves convincing them that the bank's product is of special interest. The success of that strategy leans heavily on banker-customer rapport. And the bank's ability to respond to the customer's needs.

Harris, American National and LaSalle have traditionally identified smaller, privately held corporations, as their primary and most desired customers. They say they are well-placed to service this end of the market, because they are smaller than the giants—Continental and First National—but large enough to provide the same services.

Harris, which is shaking off its conservative image and forging a path as an aggressive regional

bank is considered one of the most formidable competitors for the local smaller business clients. American National promotes itself as Chicago's "bank for business" and ranks close to Harris as a force in the market place. And LaSalle is just beginning to make its presence felt. Algemene Bank Nederland is awaiting final approval from U.S. regulatory authorities for its proposed purchase of LaSalle from local owners.

Northern Trust, which is probably Chicago's most conservative financial institution, could become a major contender in the market place. To gain a foothold, it will promote its solid reputation as a leader in non-credit banking services, such as cash management and over-seeing trust accounts.

Ironically, Continental and First National also stress the virtue of their size, which they say enables them to provide smaller business clients with the widest range of services with the greatest expertise. And, despite the dominance of major U.S. corporations in their customer portfolios, they claim they are committed to servicing the banking needs of this local business community.

Small business owners have been known to avoid Continental because they feel intimidated by its size, and fear being overshadowed by larger clients. And First National has recently lost some smaller customers who did not appreciate being shifted around while the bank reorganised its local lending apparatus.

Harris, which is shaking off its conservative image and forging a path as an aggressive regional

AMERICAN QUARTERLIES

Table with financial data for American General Insurance, American Standard, Bangor Punta, and Charter.

Table with financial data for Beker Industries and Browning-Ferris Industries.

Table with financial data for Electronic Data Systems, Kroehler, Foster Wheeler, and Hobar.

Table with financial data for Union Oil of California.

Advertisement for The Frizzell Group, featuring a logo and text: "After a good year in which pre-tax profits rose 21% we have made a satisfactory start to 1979". Includes a list of achievements and contact information.

CHANNEL ISLANDS AND INTERNATIONAL INVESTMENT TRUST LIMITED

The following is the statement by the Chairman, Sir Clement Penruddock, C.B.E.

The consolidated gross revenue amounted to £227,140 and the consolidated net revenue after providing for management expenses, loan interest and taxation, amounted to £154,923. Comparison of these figures with similar details for 1977 indicates that there has been a most satisfactory increase in dividend receipts although the revenue has suffered from substantially reduced activity by the dealing company, whose profits amounted to £5,787 compared with £63,533 in 1977.

A dividend of 20% (less Jersey Income Tax) payable on the income shares on the 22nd May 1979, is recommended. This will absorb £160,000 out of the balance of £229,129 on the revenue account for distribution for the year ended 31st December 1978 and leave a sum of £69,129 to be carried forward in the accounts of the Company. The proposed dividend of 20% for 1978 is higher by 33.3% than the 1977 distribution and in the absence of unforeseen circumstances we expect to be able to announce a further increase in the dividend for 1979.

In view of the rapid rise in total assets in the last few years it has become apparent that the market in the capital shares has become somewhat restricted. To help in easing this problem the Board proposes to capitalise £1,500,000 of the sum held in the Capital Reserve Account by paying up 1,500,000 capital shares and distributing these in the ratio of 3 new capital shares of £1 for every existing capital share of £1 held. A resolution to give effect to this issue will be submitted to the Annual General Meeting of the Company on 22nd May 1979. In accordance with the Company's Articles of Association, in voting on this Resolution each holder of income shares has one vote, regardless of the number of income shares which he holds, holders of capital shares have one vote for each capital share held by them. Subject to the passing of the necessary Resolution, it is intended to despatch renounceable certificates on the 22nd May 1979.

During 1978 the Financial Times Ordinary Share Index fell by 3.0%, while the All Share Index rose by 2.7%. The Dow Jones Industrial Index adjusted for the dollar premium fell by 1.5%.

The Company's assets during the year rose by 11.1% which can be considered very satisfactory particularly when one remembers the performance during 1977. The last two years have been extremely successful for both classes of shareholders. Whilst in the longer term we are reasonably optimistic of making further progress I feel that it would be imprudent of me to suggest that we can always continue to outperform the indices. We shall of course make every effort to pursue the interests of all shareholders.

Year to December 31st 1978	1978	1977
	£	£
Revenue before Tax	193,654	201,942
Net Revenue	154,923	172,134
Total Assets Capital Share	4,644,234	4,082,322
Assets per Capital Share	928.8p	816.5p
Dividends per Income Share	20.00p	15.00p

INTERNATIONAL COMPANIES and FINANCE

MALAYSIAN OIL

Battling to get the right policy mix

BY WONG SULONG in Kuala Lumpur

IT WOULD not be far from the truth to say that today a developing nation has the economic odds stacked against it if it has no oil. Malaysia, as well as being one of the world's leading exporters of tin, palm oil and rubber is also in the enviable position of being a relatively sizeable net exporter of oil, and it will soon be exporting large quantities of natural gas.

Useful reminder

Malaysians are also lucky because they have not squandered these precious natural resources, and have been shielded, so far, from the worst effects of the gush of petrodollars that has plagued so many other developing countries. The story of Pertamina, the Indonesian State owned oil company which came near to bankruptcy several years ago, and Iran, provide obvious lessons of how grandiose dreams and schemes based on a sudden gush of new found wealth can bring a nation near to grief.

Not that the people running Petronas, Malaysia's State oil company, need lessons in the virtues of thrift and caution. They are former senior civil servants, who by their training, adopt a low profile, entertain

few political ambitions and are not prone to embark on costly adventures.

Nevertheless Tan Sri Abdullah Salleh, the newly appointed Petronas chief, and former chief secretary to the Government, concedes that the woes of Pertamina and Iran serve as a useful reminder of the terrible consequences that could be unleashed by oil extravagance.

In an interview with the Financial Times, he was careful to point out that Petronas would be slow and cautious. "We have seen the mistakes of others. If we make the same mistakes, how are we going to answer them?" he asked.

Since the signing of production sharing agreements with foreign companies in 1976, Malaysia's oil production has gone up sharply. Current output is 260,000 barrels daily, and it will increase to 300,000 barrels by next year. Shell and Esso, take 41 per cent of this output to cover costs and their share of the oil.

Revenue from oil exports is making a substantial impact on Malaysia's trade and balance of payments position. The revenue comes in useful at a time when the Government needs the cash for more public sector investments, and for defence.

Last year, Malaysia exported 8.6m tonnes of its low sulphur, premium-feeding crude, valued



at ringgits 2,400m (£522m). This year, oil exports are projected to reach 13.2m tonnes and this would make oil into the country's top foreign exchange earner.

There are some who feel that Malaysia is in urgent need of cash and is turning on the oil valves full blast to get it, but in fact the Government would not find it difficult to obtain other sources of finance. Malaysia's credit standing in the international community is very high.

Tan Sri Abdullah explained the apparent contradiction between Petronas' avowed policy of conservation and the high oil flow of the past few

years by pointing out that the oil companies, at the insistence of Petronas, have sunk millions of dollars into an intensive exploration programme and it is only fair and natural that they want to recover their costs as quickly as possible.

"We are applying the brakes (on production), but very gently. We don't want to jam the works," said Mr. Rastam Hadi, his deputy at Petronas. In Sarawak, for example, production is being reduced, because Petronas felt too much gas was being flared.

Malaysia's own oil consumption is around 140,000 barrels daily and is growing at 7 to 8 per cent a year. If no new oil fields are found, Malaysia's oil reserves would be exhausted within 10 years at current production rates. But the impression given by Petronas and the oil companies is that either the reserves are bigger than so far admitted or that they are confident of finding new fields.

Currently, Petronas' attention is centred on getting the U.S.\$ 1bn Liquid Natural Gas project at Bintulu, Sarawak, on stream by January 1983. The project is a joint venture with Shell and Mitsubishi, with Petronas holding 65 per cent. It will supply 6m tonnes of LNG annually (equivalent to

140,000 barrels of oil a day) to Japanese utility companies for 20 years.

A contract for site clearing has been given. A U.S.\$ 25m cryogenic plant to convert natural gas into liquid form, has been ordered. Three companies, all American-Japanese joint ventures, have tendered to supply and construct the main LNG plant ancillary facilities.

The first of the five LNG tankers will be delivered to the State-owned Malaysian International Shipping Corporation later this year. It looks like the ships will be idle until the LNG project comes on stream, as efforts to lease them out to prospective users have so far failed.

Tengku Ngah, the Corporation's chairman, feels the tankers would put a severe strain on the line's cash flow between 1981-82, but they should recoup the losses once they are put to work in 1983.

Esso, which is producing 90,000 barrels of oil daily off the coast of the State of Trengganu is having a tussle with Petronas over its insistence that its oilmen should move their base from Kuala Lumpur to Kuala Trengganu, the state's capital.

Trengganu is one of the poorest of the 13 Malaysian

states, and the presence of 400 high income expatriates would generate quite a lot of economic activity. "We don't think we are being unfair," said Mr. Rastam. "We ask Esso what it wants, and we are prepared to do everything, within reason, to satisfy their men. Shell people in Sarawak and Brunei live near to their place of work and this is the case around the world."

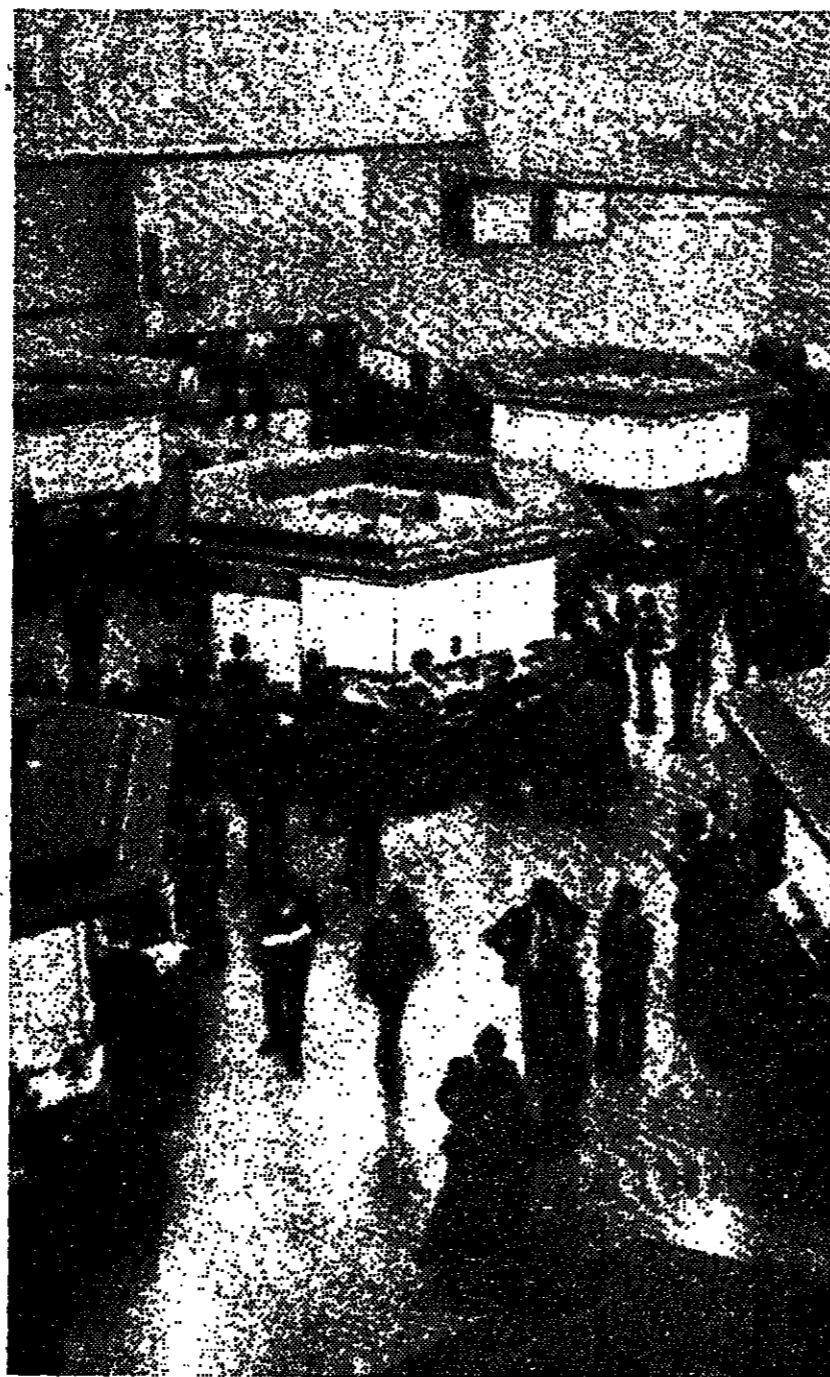
BNOC help

Petronas's exploration subsidiary, Carigali, recently entered into a consultancy agreement with the British National Oil Corporation, to provide the expertise to develop the Sotang Field, off Pahang state. The Sotang area was originally given to a consortium led by Conoco, but it relinquished its rights after failing to get a sufficiently attractive agreement with Petronas.

Conoco believes the field has only 20m barrels of recoverable oil, but Petronas estimates it at 50m barrels.

Petronas does not expect big money from Sotang, but working the area with BNOC would give invaluable experience to staff at Petronas. This would come in useful when Petronas decides to go into exploration and development on its own in a big way.

Richard Neale entrusts the savings of 23,000 people to British Industry - with growing benefit to both.



Richard Neale, Pension Fund Manager of Imperial Group Limited. Left: The Stock Exchange.

"It's a fact that Imperial Tobacco - as Wills and Players - was paying pensions to its employees way back in the 19th century long before it was common practice.

Richard Neale, pension fund manager was referring to the traditionally good record of Imperial.

"The present fund was set up in 1929 which makes it one of the oldest in Britain. Incidentally, 1979 will be our Golden Jubilee."

Norman Ferguson, investment manager, had this to say: "Imperial has always chosen to manage its own Pension Fund using its own investment team. We're a big fund, and we are competing with the major merchant banks and life assurance companies.

"Thanks to far-sighted management in the past we have today a portfolio of shares and property which it would be difficult to put together from scratch."

He described the pattern of investment of the fund as "spread across the whole range of British Industry, with a good proportion of 'blue chip' shares, but also specialising in medium to smaller size companies and particularly in industrial property. You could say Imperial employees have got a big investment in Britain's future prosperity.

"Our policy has proved itself. Over the past 20 years we've been able to increase benefits while reducing members' contribution rates. The last 5 years of inflationary pressure has made this more difficult, though the company has come to the rescue with increased contributions - now nearly four times those of members."

"It's a good pension," said Neale. "There's a good level of benefit at retirement, and a good degree of inflation-proofing after retirement; and the same benefit formula is used for management, staff and employees.

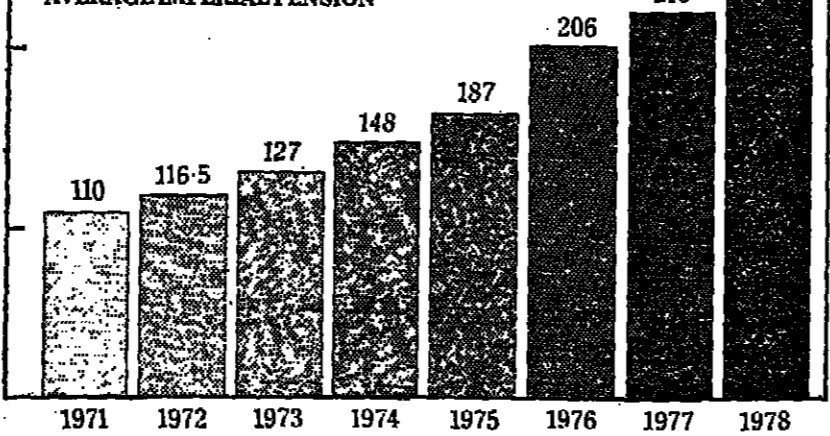
"I think that shows a certain attitude of responsibility on the part of Imperial. It's understood in a way that the good of the employee is the good of the company. It's a reciprocal thing. In my experience this is appreciated on the shop floor and among management."

Neale and Ferguson, dedicated to getting the best value for money for the members of their pension fund, work for Imperial Tobacco: an important employer, a big taxpayer, and a committed investor in Britain's future.



Mr John Weber, a pensioner of the Imperial Tobacco Pension Fund for over 10 years, with Mrs Weber.

INDEX SHOWING INCREASES IN VALUE OF THE AVERAGE IMPERIAL PENSION



Index: December 1970 = 100

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A FINANCIAL TIMES SURVEY WORLD BANKING

The Financial Times proposes to publish a major Survey on World Banking. It will be published in two parts on May 21 and May 29. The editorial synopsis is set out below:

PART 1—21 MAY 1979

The Economic Background The search for a more even distribution of economic growth and current account balances. The factors behind the recent high level of world liquidity, the key to the current banking environment. The IMF and its macro-economic impact now that increased resources have been approved. Its function as inspector of world economies. The sharp rise in the price of gold mirroring the problems of the dollar. European Monetary System—the conception, start, and prospects of this new regional monetary system.

Forms of Finance offered by Banks These articles are to describe the basic characteristics of the "product" offered by banks to their customers. Medium-term loans—the mounting advantages to borrowers. Project Finance—how banks join forces to fund large-scale projects. Export Finance—the growth of this business tied to the growth of trade. The issue of

securities for bank customers, the wide choice of currency maturity and coupon facing the borrower.

The Eurocurrency Market The nature, function and growth of the market. Profitability in Eurocurrency lending—an analysis of the risks and rewards currently facing banks. The Eurobond Market—development of this market and its profit potential for banks. The Foreign Exchange Market—the structure, the relationship of market-making banks to brokers, and the continuing role of the dollar as the base currency in many banks' foreign exchange operations. **Country reports and profiles of bankers** These articles will describe the chief characteristics and topical developments in the banking business of each country. Each article will be accompanied by two profiles of the central bank chief and the foremost banker in the banking business.

PART 2—29 MAY 1979

Changes in the banking business The move towards universal banking with banks increasingly anxious to diversify their activities. The chief developments in the business of banking for the consumer. The rise of the savings banks. Investment banks, merchant banks and consortium banks—what role is left for these specialist institutions as the move towards universal banking continues? Correspondent banking.

The Regulatory Framework International bank regulations—there have been persistent calls for greater degrees of transparency and supervision in the international banking market. U.S. bank regulations—this highly developed system in the biggest banking market effects the development of the international banking business. Accounting conventions—lack of comparable accounting rules makes it very difficult to compare even the largest banks in the world. The role of the Bank for International Settlements in providing a forum where bankers (from Comecon too) can discuss currency intervention and banking supervision.

International Banking Centres These articles are to describe the characteristics and development of the better known banking centres. There is an introduction giving a brief account of the share of the international banking market accounted for by each centre and any broad geographic trends:

City of London
New York
Zurich
Frankfurt
Paris
Tokyo
Hong Kong and other Far East centres

Middle East centres

Country reports and profiles of bankers These articles will describe the chief characteristics and topical developments in the banking business of each country. Each article will be accompanied by two profiles of the central bank chief and the foremost banker in the banking business.

For further information please contact:
Helen Lees
Financial Times, Bracken House
10 Cannon Street, London EC4P 4BY
Tel: 01-248 8000 Ext. 238

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

INFLATION ACCOUNTING

DEEPAK KULKARNI

A retrograde step into the realm of reserve accounting

WHILE ED 24 is a useful step ahead from historic cost, in relegating holding gains to the balance sheet (in a Sandilands fashion) it represents a retrograde step into the dreaded realms of reserve accounting.

Most people would agree that shareholders require accounts primarily to aid them in their consumption decisions. Hence they need to know whether they are getting richer or poorer. Presently, they are conveyed this information through annual accounts whose focal point is profit for the year.

In times of stable prices, these accounts served us well. Based on historical cost principles, they had the advantage of objectivity and verifiability. However, during times of changing prices, they justifiably attracted much criticism—and accountants sought an alternative profit measure. Reformists have embraced an admirable profit concept first propounded by Sir John Hicks in 1948. Put simply, he defined profit as the increase in well-being over time: or in accounting terms, what remains after capital has been maintained.

Comparisons

Under ED24, well-being or capital is defined as the deprival value of a company's assets, i.e., the amount that would just compensate a company if it were to be deprived of the asset being valued. However, the inflation accounting debate is not centred on the measurement of capital (i.e., the balance sheet), but on method of comparing capital at two different points in time (i.e., the profit and loss account).

Such comparisons may be done by using money units, physical units or real units. To illustrate, consider a company which starts trading with 100 units of stock each bought for £1 at a time when the general index (GI) stood at 100. After several stock turnarounds, it finishes trading at the end of the year with 100 units of stock each costing £1.50 at a time when the GI stands at 120.

In the absence of addition or withdrawal of capital, profit using the money unit or £ is 50; the difference between the opening and closing capitals of 100 units valued at £ and £1.50 respectively. Profit using the physical unit is nil, the difference between 100 stock units at the beginning and 100 stock units at the end.

THE proposed new inflation accounting standard released earlier this week (Mon 30) is far too pessimistic. And its pessimism means that shareholders will tend not to be credited with some of the real gains made by companies they have invested in.

The new proposals were drawn up by the Accounting Standards Committee, the rule-making body of accounting, in the form of Exposure Draft 24. This represents an attempt to reach agreement on a mandatory standard by which Britain's biggest 5,500

companies would be able to adjust their accounts for the effects of inflation.

After the years of argument over the problem it is disappointing to see that this latest set of proposals is more useful as a tool for company management than for shareholders to measure overall performance.

The essential point is that some of the increase in the value of a company's stocks and assets are real gains—in shareholders' eyes—when the increase is above the average inflation rate.

Finally, profit using the real unit in terms of shareholders' command over goods and services (as measured by the GI) is 30; the difference between the opening capital of £120 (the real worth of the initial capital of £100 expressed in accounting period end—24) and the closing capital of £150.

The measurer's choice of unit of comparison must depend on the uses to which his results are to be put. If we apply this acid test of usefulness to the argument frequently put forward that historic cost, or the money unit, is an "objective" measure of profit, we find that it loses its edge.

On the contrary, we can argue that to say that the historic profit of X Ltd. is £4,327,256.26 is dangerously misleading because it gives an impression of spurious accuracy. Modesty is called for: financial measurements are at best approximate. Therefore, we should be content if accounts succeed in raising pertinent questions in the minds of users—rather than ambitiously seeking to provide all the answers.

If shareholders require information to assist them in maximising the value of their consumption, then it would seem that the real or Current Purchasing Power (CPP) unit, as it has come to be known in Britain, is most suited to achieving this objective.

Shareholders give up a consumption package when they buy shares or consciously continue to hold existing shares, in return for a more satisfying package later. The particular composition of a company's assets as financed by this shareholder package is of concern to them only insofar as this affects the risk and size of the package eventually returned to them.

Thus it is the extent to which

shareholders' purchasing power has been maintained which accounts should seek to measure through the profit and loss accounts. However, this does not mean that we return to the ill-fated Provisional Standard No. 7 on CPP. As ED24 rightly points out, there is no guarantee that the price of particular assets that a company holds, as listed in its balance sheet, would change in harmony with the level of general inflation. Here, shareholders would find specific current values to be helpful for this gives them an indication of the size of the resources owned by their company.

Limitations

But ED24 serves us less well in profit and loss account where it adopts the physical unit comparison we discussed earlier. Its reasons for doing so are clearly spelt out in the exposure draft: it seeks to maintain an entity's on-going business operation by appropriating additional sums from historic profits to effect asset replacement.

Thus ED24's net monetary working capital adjustment is a logical extension of the Hyde proposals, if one accepts that the raison d'être of a company is to replace its assets. Company managers would naturally find such a concept of capital maintenance to be powerfully appealing. They would gratefully embrace an accounting device which automatically ensured the continued existence of their company regardless of whether this was in the best interests of their shareholders.

If shareholders are concerned with their company's performance, then surely they would find both operating profits and holding gains to be of interest. For the purposes of distribution to shareholders there is no

justifiable economic distinction between income earned by productive efforts and that earned by chance. Both sources make shareholders richer.

In our previous example, however, ED24 suppresses the real gain of £30. Thus while the company maintains physical capital, shareholders automatically invest a further £30 in terms of their command over goods and services. Instead of bringing this additional investment explicitly to their attention ED24 transfers amounts to the Capital Maintenance Reserve: a far cry from greater clarity in financial measurement which most users presently require.

ED24, therefore, concentrates only on the pessimistic side of the full story. It charges the income statement of a company with the full current cost of the asset it gives up in earning revenue but fails to recognise the real element in the corresponding gain made while holding the asset.

Of course, a full distribution of real profits would mean that a company would need to raise additional finance to maintain physical operating capability or alternatively would need to scale down its operations. This contention should not be dismissed lightly. But we can argue, distribution decisions are made quite separately from the assessment of profit.

Why down-grade profit measurement to cash budgeting? Furthermore, the danger of ED24 in a period of falling specific prices has not been fully explored. For instance, the specific price of TV games and general inflation is running at 8 per cent.

Our first reaction on seeing the equation historic profit = operating profit + holding gain is to think of operating profit as being smaller than historic profit. But when prices tumble and holding losses result, operating profits are actually higher than historic cost profits just when accounts ought to be ringing warning bells.

The way ahead should be to adjust historic cost net assets to their current values while indexing shareholders' capital by their consumption index. The difference, real gains both realised and unrealised, would automatically emerge as a by-product. However, ED24 is a step in the right direction.

Deepak Kulkarni works for Deloitte Haskins and Sells, Management Consultants.



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CURRENCIES, MONEY and GOLD

Sterling soft

Sterling lost ground in very thin trading, as the latest public opinion poll pointed to a Labour lead in the General Election campaign. Higher U.S. interest rates may have also depressed the pound, which touched a low point of \$2.0575, before closing at \$2.0600-2.0610, a fall of 35 points on the day.

from \$2.0050 against the dollar and to \$7.60p from \$6.90p in terms of sterling. The Irish currency showed mixed changes against its EMS partners, falling to BFRs 60.58 from BFR 60.69 against the Belgian franc; to FFR 8.7657 from FFR 8.7680 against the French franc; to DM 2.8042 from DM 2.8095 against the D-mark; and to Dkr 10.6478 from Dkr 10.6545 against the Danish krone.

TOKYO — The dollar rose sharply, touching ¥224.10, the highest level since the end of May last year. Better-than-expected trade figures helped the dollar, and the Bank of Japan intervened to support the yen by selling about \$300m. The U.S. currency closed at ¥223.77, compared with ¥221.90 in New York on Monday, and ¥219.15 in Tokyo on Friday.

GOLD

Gold showed little movement in the London bullion market yesterday and closed unchanged from Monday at \$246-247. The metal opened at \$246-247 and although interest remained reasonably high during the day, there was no great volume. The afternoon trading of \$247.30 was little changed from \$247.70 in the morning and gold's best level was around \$248.1. The Kruggerand's premium over its gold content widened to 5.83 per cent from 5.50 per cent for domestic delivery but narrowed to 2.79 per cent from 3.70 per cent in international dealings.

Table with columns for May 1 and Apr. 30, listing Gold Bullion (fine ounce) prices and other gold-related data.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries including Belgium, France, Germany, etc.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates for various currencies like Pound Sterling, U.S. Dollar, Deutschmark, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and terms.

UK MONEY MARKET

Large help

Bank of England Minimum Lending Rate 12 per cent since April 1, 1979. Day to day credit was in short supply in the London money market yesterday and the authorities gave a large amount of assistance.

LONDON MONEY RATES

Table showing London Money Rates for various currencies and terms.

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years, 11 1/2-11 3/4 per cent; four years 11 1/2-11 3/4 per cent; five years 11 1/2-11 3/4 per cent.

MONEY RATES

Table showing Money Rates for New York, Germany, France, and Japan.

THE POUND SPOT AND FORWARD

Table showing The Pound Spot and Forward rates for various currencies.

THE DOLLAR SPOT AND FORWARD

Table showing The Dollar Spot and Forward rates for various currencies.

CURRENCY RATES

Table showing Currency Rates for various currencies like Sterling, Canadian dollar, etc.

OTHER MARKETS

Table showing Other Markets for various currencies like Argentina, Brazil, etc.

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Ras Al-Khaimah, United Arab Emirates

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Agent

The Industrial Bank of Kuwait, K.S.C.

December, 1978

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April, 1979

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WORLD STOCK MARKETS

Indices

Dow regains 3 points in active early trade

INVESTMENT DOLLAR PREMIUM
\$2.60 to \$1.59 1/2 (58 1/2%)
Effective \$2.6005-26 1/2 (23 1/2%)
THE LATER rallying tendency which developed on Wall Street on Monday was carried a stage further in active early trading yesterday, leaving stocks displaying a higher bias at mid-session.

The Dow Jones Industrial Average recorded an improve- ment of 3.03 at 857.93 at 1 p.m. The NYSE All Common Index Closing prices and market reports were not available for this edition.

IBM advanced 2 1/2 to \$317 on top of a \$34 gain the previous day when shareholders approved a four-for-one stock split. The company also cut some of its prices yesterday.

Canada Bank of Montreal, C\$24 1/2, and Royal Bank, C\$40 1/2, each added 1 1/2 while Canadian Imperial edged higher to C\$27 1/2.

Hong Kong Stock prices were mixed but with a slightly firmer bias, but the Hang Seng index put on 1.82 more to 539.54.

Australia Stocks closed predominantly firmer, with growing institutional and overseas support noted.

NEW YORK - DOW JONES
Table with columns for Date, Index, High, Low, and Change. Includes data for Apr 30, Apr 27, Apr 26, Apr 25, Apr 24, Apr 23, Apr 22, Apr 21, Apr 20, Apr 19, Apr 18, Apr 17, Apr 16, Apr 15, Apr 14, Apr 13, Apr 12, Apr 11, Apr 10, Apr 9, Apr 8, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1.

NEW YORK

Table of stock prices for various companies in New York. Columns include Stock, Apr 30, Apr 27, Apr 26, Apr 25, Apr 24, Apr 23, Apr 22, Apr 21, Apr 20, Apr 19, Apr 18, Apr 17, Apr 16, Apr 15, Apr 14, Apr 13, Apr 12, Apr 11, Apr 10, Apr 9, Apr 8, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1.

CANADA

Table of stock prices for various companies in Canada. Columns include Stock, Apr 30, Apr 27, Apr 26, Apr 25, Apr 24, Apr 23, Apr 22, Apr 21, Apr 20, Apr 19, Apr 18, Apr 17, Apr 16, Apr 15, Apr 14, Apr 13, Apr 12, Apr 11, Apr 10, Apr 9, Apr 8, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1.

MARKETS CLOSED

Stock markets in the following countries were closed yesterday for Labour Day holiday: Germany, France, Belgium, Switzerland, Italy, Sweden, Spain, Austria, Norway and Singapore.

STANDARD AND POORS
Table with columns for Date, Index, High, Low, and Change. Includes data for Apr 30, Apr 27, Apr 26, Apr 25, Apr 24, Apr 23, Apr 22, Apr 21, Apr 20, Apr 19, Apr 18, Apr 17, Apr 16, Apr 15, Apr 14, Apr 13, Apr 12, Apr 11, Apr 10, Apr 9, Apr 8, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1.

MONDAY'S ACTIVE STOCKS

Table of active stocks on Monday. Columns include Stock, Price, + or -, Div. Yield, %.

EUROPEAN OPTIONS EXCHANGE

Table of European options exchange data. Columns include Series, Vol., Last, Stock, and Price.

BASE LENDING RATES

Table of base lending rates for various banks and institutions. Columns include Bank, Rate, and Date.

AMSTERDAM

Table of stock prices for various companies in Amsterdam. Columns include Stock, Price, + or -, Div. Yield, %.

COPENHAGEN

Table of stock prices for various companies in Copenhagen. Columns include Stock, Price, + or -, Div. Yield, %.

MILAN

Table of stock prices for various companies in Milan. Columns include Stock, Price, + or -, Div. Yield, %.

BRUSSELS/LUXEMBOURG

Table of stock prices for various companies in Brussels/Luxembourg. Columns include Stock, Price, + or -, Div. Yield, %.

PARIS

Table of stock prices for various companies in Paris. Columns include Stock, Price, + or -, Div. Yield, %.

VIENNA

Table of stock prices for various companies in Vienna. Columns include Stock, Price, + or -, Div. Yield, %.

STOCKHOLM

Table of stock prices for various companies in Stockholm. Columns include Stock, Price, + or -, Div. Yield, %.

JOHANNESBURG

Table of stock prices for various companies in Johannesburg. Columns include Stock, Price, + or -, Div. Yield, %.

OSLO

Table of stock prices for various companies in Oslo. Columns include Stock, Price, + or -, Div. Yield, %.

SPAIN

Table of stock prices for various companies in Spain. Columns include Stock, Price, + or -, Div. Yield, %.

Handwritten note: 1000/150

FINANCIAL TIMES SURVEY

Wednesday May 2 1979

1550

Austrian Banking

A new banking law and moves against "grey" interest rates pose new challenges to Austrian credit institutions. In this survey Paul Lendvai, our Vienna Correspondent, reviews the changes within the country's unique banking system and the risks involved in state control and industrial holdings

Advance by a dynamic sector

NEW DEVELOPMENTS, including enactment of the first comprehensive banking legislation since the 1839-45 world war and the conclusion of a controversial interest rate agreement have given a powerful push both to the trend towards universal banking and to the competition for deposits in Austria.

Banking has gradually become one of the country's most dynamic sectors in an expanding economy. So, for example, the number of bank employees almost doubled to 56,000 between 1967 and 1978, while during the same period overall employment was up by only about 3 per cent.

Since the de facto liberalisation of the foundation of new bank branches in mid-1977, the number of banks and offices has jumped by almost one-fifth to a grand total of 4,489. Last year alone 524 new branches opened, a figure above the combined total of all new offices opened between 1970-76. The ratio is currently one bank branch per 1,700 inhabitants and there is no sign of a pause in this all-out expansion.

The dynamic trends in banking business reflect of course the long period of rapid economic growth (averaging 4.5 per cent a year between 1957-1977), a respectable rise in per capita incomes with a marked shift in the national income distribution, a heavy involvement in foreign trade, amounting to 30 per cent of the GNP on the import side and, last but not least, the public financing requirements in a country where capital investments as a percentage of the GNP are considerably higher than in Western Germany.

Another important point is that the changes in the structure of Austrian banking coincide with a relatively favourable economic and external payments situation. The restrictive fiscal and monetary measures taken in October 1977, combined with exemplary labour peace (in 1977 only one tenth of a second per worker was lost due to strikes) and better than expected exports, have produced a surprisingly quick turnaround in the external payments. The current account deficit which — adjusted for errors and omissions — jumped to Sch 20bn (£88m) in 1976 and to Sch 29bn in 1977 was reduced last year to the very low figure of Sch 6bn. The visible trade gap was also narrowed by a quarter to Sch 52bn compared to the year before.

As the inflation rate has also been reduced in the meantime, to 3.6 per cent last year from 5.5 per cent in 1977 and 7.6 per cent in 1976, several influential bankers have publicly demanded an easing of the credit squeeze, particularly for consumer loans which, since January 1978, must not increase by more than 0.55 per cent monthly.

Loans to business may rise by 1.3 per cent (instead of 1.1 per cent) since the beginning

of this year. But with the current account deficit this year likely to rise at least to Sch 15bn and economic growth also picking up speed from 1.5 per cent in 1978 to "at least" 3.5 per cent, Prof. Stephan Koren, president of the Central Bank, is likely to turn a deaf ear to the clamour for lifting the restrictions.

How to maintain the hard Schilling, still closely linked to the D-mark and to keep the current account deficit within manageable limits without restraining consumer demand too much and dampening growth, is a daunting task even under normal circumstances, let alone in a crucial election year. After all, even the ruling Socialists cannot dispute the fact that the federal debt jumped from 10 per cent of the GNP in 1974 to 28 per cent in 1978 and the cost of servicing it rose from 7 per cent of the fiscal revenues to 15 per cent. The net budget deficit last year was 4.2 per cent of the GNP as against 2 per cent five years earlier.

It is against this background

that the controversies over interest rates, and, in a longer view, over the consequences of the latest interest rate fixing by the banks, must be seen. To stimulate growth and to avoid massive lay-offs in certain sectors, the Central Bank reduced the discount rate in two phases (June 29, 1978 and January 25 this year) from 54 per cent to 44 per cent and most recently to 31 per cent.

Meanwhile, the bond market fell from a gross yield of 8.73 in the first quarter of 1978 to 7.25 per cent for new issues and to 7.46 per cent on the secondary market in April this year.

The interest rate differential last year between Austria on the one hand and West Germany and Switzerland on the other led to an unprecedented, almost sixfold rise in purchases of Austrian securities by non-residents to Sch 2.1bn. Foreigners purchased 5 per cent (in the second quarter even 8 per cent) of the new issues. As a result of the recent trends towards higher interest rates in Germany, the concerted moves to reduce interest rates in

Austria, may quickly backfire. In any case, the monetary authorities are already considering a readjustment of the discount rate to the changed situation in Germany.

This in turn may have an impact not only on the direction of capital flows and domestic liquidity but also on the review of the controversial agreement about the range of interest rates on bank deposits which came into force on March 1 this year. The new deal's key feature is that the violation of the rates fixed by the banks, savings banks, farmers' co-operative banks, credit union (Volksbanken) and the Post Office Savings Bank is subject to fines ranging from Sch 100,000 to Sch 500,000.

Punitive

The punitive clause coupled with the fear of spot checks undertaken by the competitors has put an effective end to the time-honoured institution of the so-called "grey" interest rates. They meant that regardless of the nominal 4 per cent

interest rate on normal savings accounts (with no statutory withdrawal clause) and of agreed rates for deposits subject to longer notices, bank branches could pay a rate, approaching or even surpassing long-term bond rates. So, last year, the going "grey" rate on a deposit of, say, Sch 500,000, was well over 7 per cent. The money was available on demand, and given the legality of anonymous accounts, the interest was tax free.

As 77 per cent of Austrian households with an average monthly income of Sch 5,000 to Sch 8,000 run a savings account, but only one in three have a building society deposit and a mere 3 per cent own bonds, any change affecting the savings deposits, totalling Sch 433bn at the end of 1978, is bound to have serious repercussions.

Therefore the new agreement, fixing a maximum ceiling of 6.5 per cent on savings deposits, subject to a minimum of 36 months' notice, and eliminating the "grey" interest rates, has engendered a distinct shift from savings into long-term investments.

It is estimated that during the first quarter of this year 2 to 3 per cent of all savings were channelled into bonds. While last year savings deposits were up by 17.2 per cent, in February they dropped by 0.5 per cent.

The agreement, which can be reviewed every six months and terminated quarterly by any of the participants, is linked to the new banking law and came into force on the same day. The new legislation is profoundly "Austrian" in its character. While it allows the banks to fix interest rates on deposits freely, the law also contains two

key provisions: first the interest on ordinary savings deposits must be half of the weighted average of the nominal interest rate on domestic Schilling bonds; and second, the highest rate on savings deposits under the agreement must remain 1 percentage point below the average bond rate calculated on the same basis.

What are the main features of the new banking legislation? The foundation of new bank branches (but not by foreign credit institutions) is no longer subject to a licensing procedure by the Ministry of Finance. However, the Treasury can stop the expansion of branches for a maximum period of three years.

Observers regard it as highly significant that a Socialist government was willing to reaffirm bank secrecy and for the first time the principle is spelt out in a law with violators liable to a prison term of up to one year or corresponding fines. It should also be stressed that in Austria—in contrast to Switzerland—anyone can open anonymous savings accounts and withdraw funds giving a password instead of his name.

Mergers

A number of new or modified provisions aim to protect both clients and shareholders. So, from now on, every credit institution must have at least two fully responsible managers. This regulation primarily affects many small farmers, rural co-operative banks or credit unions, often run on an honorary basis, and is also bound to accelerate the process of mergers.

Further, no individual borrower may have loans exceed-

ing 7.5 per cent of the bank's total liabilities. Even loans granted to one individual borrower and exceeding 1 per cent of the liabilities must be approved by the supervisory board. By the end of 1981 new lifeboat schemes must be drawn up and adopted in all sectors to protect small investors in case of a bankruptcy. Under the new law, the maximum and minimum size of the obligatory liquidity reserves is spelled out.

Banks should have a capital ratio of at least 4 per cent of their total liabilities. However, the relevant paragraph does not provide for an actual broadening of the capital basis but merely for a more favourable method of calculating the capital ratios. It will help savings banks and mortgage banks to attract additional capital. In the case of the other banks it simply means a higher nominal ratio without changing anything in reality.

This is the background to the almost brutally frank statement made recently by Dr. Heinrich Treichel, director-general and chairman of the board of the Creditanstalt Bankverein, that foreign observers will continue to orientate themselves according to the classic criteria. Therefore, according to the new law, the Creditanstalt's own resources amounted to 8.7 per cent of the liabilities, yet according to the previous provisions the ratio would be merely 4.2 per cent.

A tightening of control and supervision is also provided for. So the Finance Minister is to appoint a state commissioner to all banks with a balance sheet exceeding Sch.5bn. All credit institutions regardless of their legal status, are now re-

GROWTH IN BRANCH BANKING NETWORK

	1976	1977	1978
Banks Offices Total	42 365 387	42 387 439	47 576 623
Joint-stock banks & bankers†	168 555 723	168 627 795	166 835 1,001
Savings banks	1,341 643 1,994	1,327 761 2,088	1,311 961 2,262
Farmers co-ops. (Raiffeisen)	158 235 393	155 355 410	150 308 458
Credit unions (Volksbanken)			4,489
All banks*	3,754	3,965	

* Includes also mortgage banks, building societies and specialist banks and, until 1978, instalment banks.

† Four out of seven former hire-purchase banks and 102 out of 107 branch offices are as of 1978 recorded under the heading "commercial banks" and the steep increase last year in the commercial banks' offices is due to this shift.

CONTINUED ON NEXT PAGE

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AUSTRIAN BANKING II

Industrial links still strong

NEITHER THE new Bank Act nor the nine-year long rule of Dr. Kreisky's Socialist Government has changed a basic and internationally unique feature of Austrian banking: the close involvement with industry. In a sense, the Austrian situation is even more unusual than the German system of banks' industrial holdings.

The point is that since 1946 both joint-stock banks, which control a large amount of domestic industry have been under majority ownership of the state. So the industrial holdings of the two banks should in theory be regarded as an extension of the state-controlled sector, the more so since its directors-general are appointed (or re-appointed) by the party in power.

As a relic of the twenty-year-long coalition, Creditanstalt Bankverein, the number one bank, traditionally has had a "black" that is a People's Party member, as chief executive, while the chairman of Laenderbank, the second largest joint-stock bank, is always a "red," a Socialist Party member. However, both the banks and the companies controlled by them have always been run as strictly private companies guided by business rather than political or regional considerations.

Before turning to the special problems of industrial holdings, it should be said that in Austria companies belonging to the nationalised sector account for 18.4 per cent of the total industrial labour force and 32 per cent of the aggregate industrial investments. The entire steel and fuel sectors as well as large parts of the metallurgical, heavy engineering, chemical, electronic and mining industries are state-owned and controlled by the Oeag, the holding company.

For historical reasons, the nationalised banks also have inherited large industrial holdings. Oesterreichische Laenderbank controls seven important enterprises including Wagner-Biro and Voith (engineering), Perlmöser (cement) and Lenzing (man-made fibres) with a total labour force of 15,500 and a turnover of Sch 12.9bn (146m).

But it is the Creditanstalt which ranks as the real power behind the scenes. To start with, the consolidated balance sheet of the CA group (including its regional banks) is more than Sch 130bn accounting not only for 13.5 per cent of the total assets of the Austrian credit institutions but also for 30 per cent of lending to industry and for a third of foreign business transactions.

It has majority interests in such giants of the domestic industry as Steyr-Daimler-Puch, the motor company with an annual turnover of Sch 1.1bn and Semperit, the rubber concern with total sales of Sch 7bn in addition to scores of building, metal, glass, chemical, paper, textile and engineering companies as well as hotels and stores.

However, these problems pale to insignificance compared to the dilemmas faced by the Creditanstalt. The gross cash flow fell by Sch 242m, pumped into the holdings by the bank during the last six years and written off under the heading "provisions for future losses."

The CA is faced with the problem of providing financial

backing for the costly re-organisation of the ailing rubber concern Semperit with a labour force of 8,000, or 13,000 if you include the far-flung subsidiaries. The five-year partnership with Kleber-Colombes ended in mutual disappointment due primarily to the opposition of the unions and middle management at Semperit. Due to the falling specialisation in the highly-competitive tyre sector and the excessive diversification of the non-tyre business, losses are put at more than Sch 360m in 1975-78, with a loss of Sch 180m incurred in the last year alone.

The massive engagement in the abortive attempts to save the Voestalpine plan has also cost the bank hundreds of millions. There are serious rationalisation problems in the metal, glass and paper sectors.

At the same time, however, most observers would agree that the two banks, and primarily the larger one, have played a crucial part behind the scenes of Austria's economic miracle. Particularly since Dr. Heinzrich Treichel took over the chairmanship of the CA in 1970, the industrial holdings have profited from the outward-looking internationalisation of Austria's number one bank.

It was he who pressed for the Semperit-Kleber-Colombes link and the failure does not change the basic truth that no small type producer can go on producing too many types of tyres in relatively small numbers. The choice of an unpopular Swiss expert as chief executive of a major Austrian company in a delicate phase may have been unfortunate. However, Dr. Treichel did not hesitate to draw the consequences and was instrumental in the recent appointment of Dr. Franz Liebenfrost as director-general of Semperit. Dr. Liebenfrost, 40, had a stunning success as director in charge of finance at Steyr-Daimler-Puch and the architect of the PUCH's moped venture in the U.S.

Contradictions

Steyr launched a major joint venture last year with the German Daimler-Benz company in turning out cross-country vehicles, with 10,000 units projected for 1979. Even more important is the building

of a plant in Austria in co-operation with BMW of Germany to manufacture diesel engines. The plant to be completed by 1981, is scheduled to produce at least 100,000 engines a year.

In Austria with its large nationalised sector, there is no practicable way of radically cutting the industrial holdings of the banks. No one would allow a take-over of such key branches by foreign capital. There is no other alternative to the present system.

Nevertheless the whole question of the massive holdings is a latent political issue because these are recurrent proposals for closer coordination of the Creditanstalt and Laenderbank holdings on the one hand and the nationalised sector on the other. Such a "co-ordination" is viewed by observers as a prelude to a gradual process of further nationalisation.

Whenever Dr. Treichel himself, with his customary candour, pleads for rationalisation decisions, such as closing some functions of the unions or the chambers of labour call for more "co-ordination" - that is even more interference.

The record of the Creditanstalt and Laenderbank in providing Austria's industry in its post-World War 2 adjustment to changed realities with underlying security and enduring stability has been a good one. The boards of the nationalised banks have generally put a company's long-term interest above the wish to pocket short-term profits.

The bankers themselves do not dispute the built-in contradiction, such as acting as investment advisers while exercising voting rights and at the same time controlling or steering the basic policies of the same companies about which customers are asking for investment advice. It remains to be seen whether the tightening of control procedures under the new banking law will help to eliminate lingering suspicions about insider transactions and other problems involved in the German-type universal bank system.

The real and only possible way to cope with the insoluble problem of such massive holdings in the hands of a couple of state-owned banks in a small country without a stock exchange worth speaking of is by reducing the political back-seat driving to a minimum and giving the green light for the best available entrepreneurial talent.

Advance

CONTINUED FROM PREVIOUS PAGE

quired to publish their annual reports in the official gazette if their balance sheet exceeds Sch.300m.

The full text of the legislation comprises 52 printed pages, including special laws on the savings banks and the right to issue bonds.

It is in the savings banks sector where the most significant shifts are to take place. The two largest Vienna-based savings banks, Zentralsparkasse and Erste Oesterreichische, now have direct access to the capital market and the old regional boundaries are no longer relevant since both already have their own banking outlets in the provinces.

The Girozentrale, the central institute of the savings banks sector, seeks to maintain the financial strength of the entire sector. Under the new legislation, savings banks whose assets are equivalent to 40 per cent of the balance sheet total of the umbrella institute of the sector will be able to withdraw their liquidity reserves (10 per cent of savings and 20 per cent of the other deposits) within three years once they give formal notice.

It is these provisions which have been opposed by the People's Party whose chairman happens to be the former director-general of the Girozentrale, Dr. Josef Taus. He is also against the degree of state intervention through the institution of state commissioners extended to private banks and the steady growth of subsidised credits, already surpassing half of the outstanding loan total.

Meanwhile the new provisions tend to accentuate some of the built-in contradictions in Austrian banking system. Austrian banks have become universal banks, almost indistinguishable from each other. As in Germany, the same bank can advise on shares and launch new issues on a stock market dominated by the banks, while shaping policies of companies which it either controls directly or through loans.

It acts both as a stockbroker and as an investor, playing the role of an investment adviser while at the same time owning investment trusts as well as managing portfolios on behalf of the public.

The economic editor of Die Presse recently expressed concern whether such a double role, as borrower on the market and investment adviser to the customers, would help the banks in the long run. He was referring to the near explosion of applications for new issues, partly as a result of the big savings banks emerging on their own as borrowers.

The close involvement with industry is causing considerable problems above all for the Creditanstalt, whose industrial holdings alone account for 8.3 per cent of the industry's aggregate turnover. The outcome of the May elections may have a direct relevance to the future shape of the banks' industrial holdings and to their relationship to the directly nationalised sector which accounts for 13.4 per cent of employment and for one-third of the investments in Austrian industry.

The two joint-stock commercial banks with their considerable industrial concerns are, after all, both under majority ownership of the federal state, even if their directors behave as private bankers.

The fight both between the savings banks and farmers' credit co-operatives over their respective holdings in the Bankhaus Schoeller, the most important private bank, and the

last-minute blocking of the deal increasing Girozentrale's share, due to the near veto raised by the Erste Oesterreichische underlines the essential point that there is sharp competition both between the different banking sectors and within those sectors.

The increasing pressure on profit margins, the growing international engagement and the all-out-battle for market shares are not the results of the new banking law. Yet Dr. Karl Pale, director-general of Girozentrale, is certainly right in saying that the legislation and the package deal over interest rates have ushered in a new era.

It is this consideration which has guided the stewardship of the banks in general and Dr. Treichel in particular. The prolongation of the contract of the 65-year-old top banker by two more years until mid-1981, in spite of massive political resistance is therefore an event which is also likely positively to influence the future of the banks' industrial holdings.

Though Austria's general elections next month may produce some changes, it is generally thought unlikely that any serious politician on the Socialist or People's Party side would even attempt to revamp, let alone to eliminate the holdings of the joint-stock banks in industry and construction.

Alternative

PROPORTIONAL GROWTH IN BRANCH BANKING

	Growth 1976-78 in %	Share of total banks and offices 1978 in %
Joint stock banks and bankers	60.9	13.8
Savings banks	38.4	22.3
Farmers' co-operatives (Baufeisen)	14	50.3
Credit unions (Volksbanken)	10.5	10.2
All banks	38.4	

Source: Austrian National Bank monthly reports.

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in US \$ millions at year ending ¹⁾	1976	1977	1978 ²⁾
Total assets	2,732	3,185	4,015
Capital & reserves	119	145	161
Net profits after taxes	22	27	16 ³⁾

¹⁾ Converted at Ash 13.3675 per US \$
²⁾ Figures before auditing
³⁾ Fall in net profits due to corporate tax increase of 100% in 1978 for savings banks.

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Foreign business growing

AUSTRIA'S premier bank, the Creditanstalt Bankverein, has been the pace-maker in the 1970s in forging closer links between Austria and the Euro-currency and bond markets.

Under the imaginative leadership of Dr. Heinrich Treichl, its director-general, the bank has joined the EBIC multi-national consortium and acquired a substantial holding in the Wirtschaft und Privatbank of Zurich along with the Bayerische Vereinsbank and Anthony Gibbs Holding. It is understood that Anthony Gibbs' interest will be taken over by the Creditanstalt and the Bavarian partners in equal parts.

Oesterreichische Laenderbank is associated with the Abcor multi-bank group while Girozentrale has shareholdings in the Handelsbank of Zurich as well

as a minority interest in the Vienna-based Chase Manhattan subsidiary. The other major banks such as GZB (Genossenschaftliche Zentralbank) and BAWAG (Bank für Arbeit und Wirtschaft) are also involved in international ventures, including also Vienna-based multi-bank consortia specifically founded to finance East-West trade.

The steadily growing importance of foreign business is also reflected in the aggregate balance-sheets of the credit institutions. Thus the share of foreign assets and liabilities has increased from a mere 1 per cent in 1960 to 7.7 per cent in 1970, and to 15.7 per cent last year. Vienna also has become an international finance centre, though on a modest scale, at any rate as far as trade with

the Communist countries is concerned.

In addition to about 250 foreign Western European commercial companies and scores of representative offices, including also 35 Eastern bloc companies operating in Vienna, there are five U.S. banks, one French, one Russian, and one Hungarian credit institutes, plus joint ventures with British, German, Italian, Polish, and Spanish groups.

However, the expansion of foreign business has slowed partly as a result of credit restrictions imposed by the National Bank. Last year, Austrian banks were allowed to grant credit to non-residents only to the degree of debt repayments plus a 7 per cent growth rate. But the limit was imposed only on loans of more than 12 months made by foreign nationals not in connection with Austrian exports. These roll-over credits are estimated to total about Sch 20bn. In January of this year the permissible growth rate was increased on the same basis to 15 per cent, compared to the position at the end of 1978.

The Austrian banks opposed this restriction as a threat to Austria's role and presence on the international scene. The Creditanstalt is now the spearhead of the quest for the "Luxembourg Connection." It is argued that Luxembourg has grown into an extremely important Euro-business centre and major banks conducting international business want to be

represented there by their own subsidiaries.

In Austria it is regarded as unnatural that among Luxembourg's more than 100 foreign operators, including 24 German banks, not one single Austrian credit institute can be found.

Creditanstalt has drawn up detailed plans for a Luxembourg venture which in three years should have a balance sheet of Sch 9.23bn and a loan position of Sch 6.46bn. It is calculated that, by 1981, it could have at least a 5 per cent return on capital after taxes, always provided that the National Bank allocates a special credit quota of Sch 5bn.

assumption of a Sch 5bn allowance for Luxembourg-based loans, roll-over credits affected by the limitations would be up only from 2.79 per cent of the bank's aggregate balance sheet in 1978 to 3.5 per cent this year, 3.97 per cent in 1980 and to 4.25 per cent in 1981.

In terms of the outstanding loan total the share of the roll-over credits would rise from 4.92 per cent last year to 6.09 per cent this year, to 6.84 per cent in 1980 and 7 per cent in 1981.

The monetary authorities are delaying a move for two main reasons. First, on account of the suspicion that a Luxembourg base could more easily circumvent central bank regulations imposed on Austrian banks at home. Though the Creditanstalt is willing to provide all the information required about its external operations, some highly-placed bureaucrats at the National Bank still operate with arguments concerning an alleged threat to the "borrowing power of the republic" — said to be due to misunderstandings concerning the difference between the functions of a capital and a money market.

EXPANSION OF FOREIGN BUSINESS

	1970		1978		
	in Sch bn	in % of total	in Sch bn	in % of total	
Foreign assets	25	8	198.2	15.7	
Net interest and provision income in % of balance sheet total*					
	1974	1975	1976	1977	1978
Interest income	1.89	1.80	1.69	1.65	1.52
Commission income	0.63	0.61	0.55	0.50	0.45
Interest and commission income	2.51	2.41	2.24	2.15	1.97

* Calculations based on the reports of the seven major banks, accounting for 43 per cent of balance sheet total in the entire banking sector. Net interest and commission income in percentages of the annual balance sheets.

Source: Annual reports of Creditanstalt, Girozentrale, Laenderbank, Zentralsparkasse, Genossenschaftliche Zentralbank, Erste Oest. Spar-Casse and Bawag.

Battle over family bank

THE BATTLE for control of an important family bank, the Bankhaus Schoeller, is currently the most discussed event in the small world of Austrian banking.

The complicated manoeuvres involved reflect not only the declining fortunes of what society columnists once used to call the "great families." They also underline the fact that there is sharp competition not only between the different banking sectors, but also within these sectors.

The concentration process has been going on for years with more and more independent operators being taken over by the major commercial, savings and farmers co-operative banks. Therefore the list published on the last page of the well-produced annual report of the Association of Austrian Banks and Bankers year by year contains fewer private banks and banks.

This was the background to the complete restructuring of the Schoeller bank and industrial holdings. The reorganisation, which will be completed by next autumn, will not affect the family-owned trading company, Gebrueder Schoeller with a turnover of Sch 1.1bn.

The main changes involve separation of the bank from the industrial holdings. A new holding company, called Schoeller Holding, has been formed with the Genossenschaftliche Zentralbank (GZB), the Central Institute of the farmers' credit co-operatives, having a 40 per cent interest and the rest held by the Schoeller family.

GZB with a balance sheet of Sch 61bn is one of the fastest growing banks with the largest number of outlets, acting as a "house bank" for farmers' co-operatives with their total of 1.6m members.

Under the new scheme, Schoeller Holding will also acquire a 25 per cent interest in Leipnik-Lundenburger Industrie, the umbrella company for the industrial empire of Schoeller. As the GZB already possesses a 30 per cent interest in Leipnik-Lundenburger, the farmers' coop-bank will have a powerful lever to enforce a long-overdue management shake-up and better coordination.

Repayment

This would be done on condition that in Vienna the parent company would grant credits only to the extent of the repayment of debts. So in fact the volume of foreign lending from Vienna not connected with export finance would be frozen and the Luxembourg subsidiary would grant credits in keeping with the special allocation and the growth of foreign credits permitted by the National Bank.

Given the overwhelming importance of the Luxembourg connection and Vienna's peripheral geographical position, Austrian bankers are putting increasing pressure on the central bank which is still reluctant to give the go-ahead signal.

It was calculated by the Creditanstalt that under the

LEADING AUSTRIAN CREDIT INSTITUTIONS

	Size 1978	Growth 1977-78
	Sch bn	in %
Creditanstalt Bankverein	142.5	16.2
Girozentrale	121	17.1
Oesterreichische Laenderbank	86.3	17.2
Zentralsparkasse Wien	75.7	22.8
Genossenschaftliche Zentralbank	62	18
Erste Oesterr. Spar-Casse	54.4	27.8
BAWAG	51.8	28.7

Source: Annual bank reports.

CHANGES IN THE STRUCTURE OF DEPOSITS

	1970	1978	1978
	in Sch bn	in %	in %*
Primary deposits:			
Schilling deposits from non-banks	181.7	579.5	318.9
Own issues	24.4	128.6	527
Domestic inter-bank deposits	82.3	355.4	431.8
Share of primary deposits in total domestic deposits (in %)	71.5	66.6	

Source: National Bank monthly reports. *1970 = 100.

If the branch offices of foreign banks and the merchant banking arms of industrial and trade holdings are excluded, there remain in fact merely three private bankers in Vienna and one in Salzburg.

The private bank with the most glittering lineage is undoubtedly Bankhaus Schoeller, founded in 1833 by Alexander von Schoeller. The Schoeller family has survived both the collapse of the Austro-Hungarian monarchy and the nationalisation in 1946 of its single largest asset, the Schoeller-Bleckmann special steel plant. With total assets of Sch 5.5bn (€19.1m) last year, including a 20 per cent share of foreign business, the bank has remained in family hands for almost 140 years.

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The first dent in the image of Schoeller as banker not only with "class" but also with superior expertise, was made in 1968-70 when one of the partners, an aristocrat from one of Europe's oldest lineages, engaged in disastrous speculative investments, causing the other partners considerable losses.

This came as a salutary shock. The role of non-family executive management was increased and control tightened. But the most important consequence was the link since the end of 1971 with the Girozentrale, the central institute of the Austrian savings banks sector which, at that time, acquired a 10 per cent interest in the bank with an option for a further 10 per cent.

Though, according to both sides, the connection has proved useful, providing Schoeller with more financial muscle and the Girozentrale with a convenient merchant bank arm, the deadline to take up the option was allowed to lapse.

But it is the extent of the ownership changes in the bank itself which is at the centre of dispute and also of public attention. The GZB-Schoeller holding will have "80 to 90 per cent" of the projected "Schoeller and Co. Bankkreditengesellschaft" with capital and reserves amounting to Sch 250m, bringing the Girozentrale's holding to at least 20 per cent.

GZB, which is putting for the time being about Sch 150m in the new venture, would prefer to maintain maximum influence. Austria's second largest bank with total assets of Sch 121bn last year, would like to increase its influence in Schoeller.

Evidently the Schoeller family is eminently interested in retaining room for manoeuvre by having two finely-balanced partners, even if they are in a parably more powerful than the original group of owners. The restructuring to be carried out in mid-1979 effective retroactively to January 1, depends on the balance of forces within the savings banks sector.

The point is that the two major Vienna savings banks, Zentralsparkasse and Erste Oesterreichische as described in detail in another survey article, are now operating as universal banks in their own right.

Erste Oesterreichische has to a great extent the same type of customers — small businessmen, middle and upper middle-class private clients — as does Schoeller. So Schoeller, relying on funds provided by GZB and Girozentrale, could be a dangerous rival, particularly in the field of personal and housing credits in the capital.

This is the reason why Erste Oesterreichische which in turn is a major shareholder in the Girozentrale, the umbrella institute, is not keen on the deal to raise Girozentrale's stake in the Schoeller bank and also gave notice privately that it would oppose the project if it was ever placed on the agenda of the supervisory board of the Girozentrale. Nevertheless, Dr. Karl Fale, director-general of the Girozentrale, is still hopeful that an arrangement will be reached before the summer holiday season.

The provisional legal regulations concerning tax-free capitalisation of reserves and the transfer of ownership are due to expire at the end of September, 1979. So a decision in one way or another must be taken before that deadline.

In the meantime, Schoeller has had to absorb a new, much more serious, blow. The difficulties were, and are, connected with the family's industrial holdings. Matters came to a head with the liquidation of the Vöslauer Kammgarnfabrik, one of the country's oldest textile companies which, until 1978, was owned by the family.

Despite several massive rescue operations launched by the Socialist Government and later also by the Creditanstalt Bankverein, which in 1978 took a controlling interest; the producer of worsted yarn and fabrics near Vienna was a hopeless case. The abortive efforts have cost the banks and the Austrian taxpayer about Sch 1bn.

Schoeller now claims to have lost in all Sch 170m with the write-off last year totalling Sch 45m. The losses of the family members have not been disclosed. In any case, other problems have emerged in Schoeller's industrial empire, which comprises the country's largest flour mill and a bakery, a sugar refinery and other interests with a total production staff of 3,500. Both the sugar and the bakery sector are grappling with serious labour, management, and price problems.

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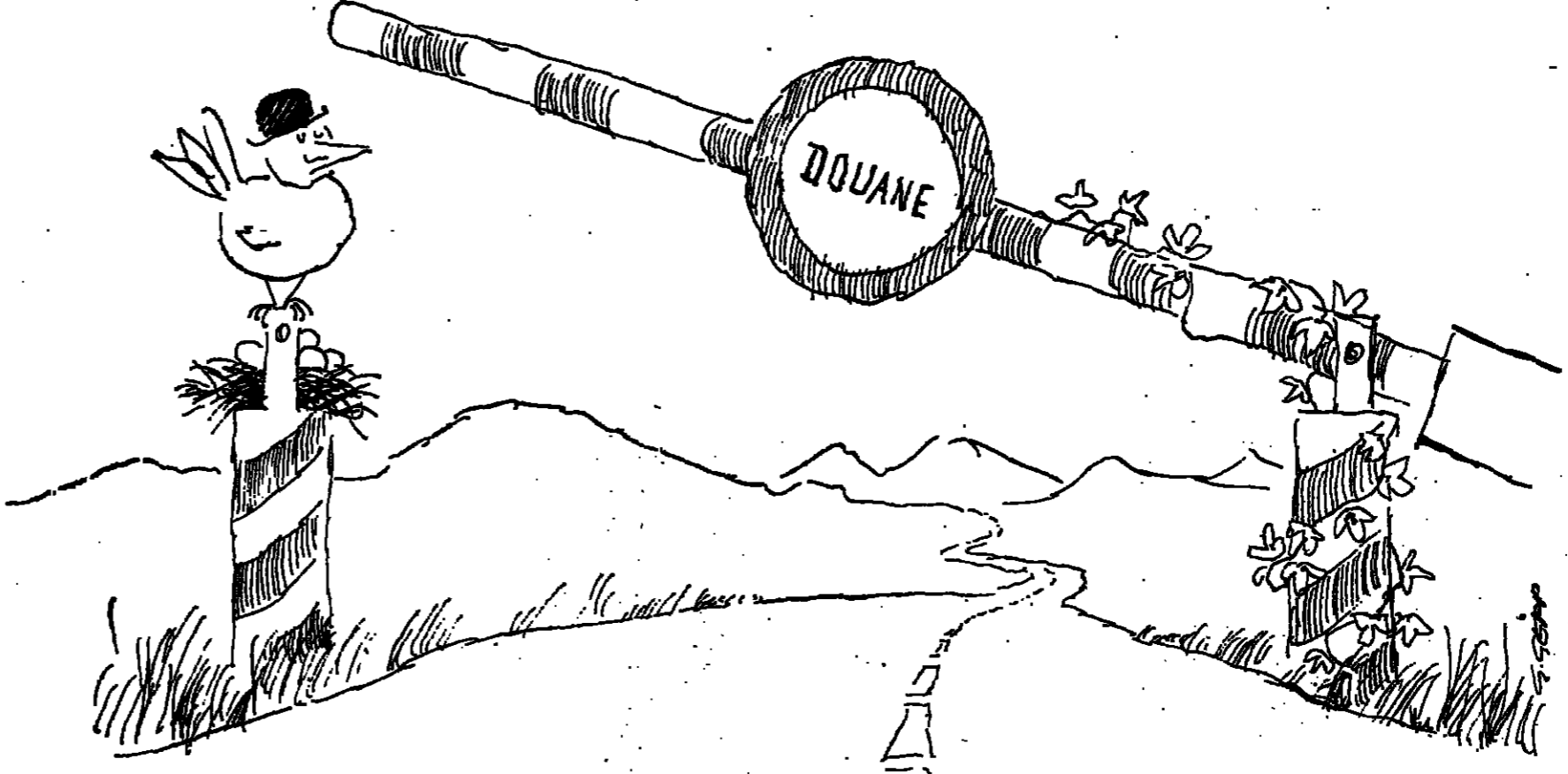
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Investing and Financing in Austria

And what you should know about it



Investing and financing in Austria presents few problems for companies. We have a free market, a strong currency (as you may have noticed on your holidays), no strikes, a steady labour market and one of the lowest inflation rates in the world.

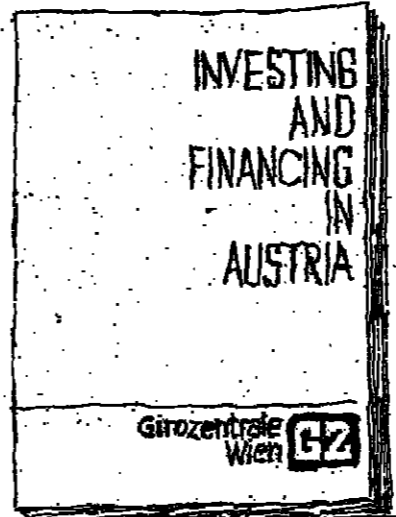
In other words, the most important prerequisites for successful investment are waiting for you. What you make of these opportunities depends on you. And to a certain extent on your advisers.

Obviously, the more you know about the various possibilities, the more successful your decisions will be. Girozentrale Vienna and the Austrian Savings Banks offer you experience, know-how and understanding of the Austrian market. And of course we also provide facilities for financing, leasing, factoring and other banking services.

115 Pages about Austria.

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THE ATMOSPHERE was festive and the assembly hall of the Vienna Bourse packed with Austrian bankers and financial experts. BAWAG (Bank für Arbeit und Wirtschaft), the union bank was floating its first-ever bond issue—on April 20.

Mr. Walter Floetli, chairman of the board and director-general, spoke about an historic occasion in the history of the bank founded in 1922 and called "Arbeiterbank" (workers' bank). After the civil war of 1934, the bank went into liquidation for political reasons. Reborn after the 1939-45 war and called BAWAG since 1968, the bank has rapidly expanded its activities as a fully-fledged universal bank.

Nothing could better illustrate the pace of growth than the balance sheet figures. Between 1962 and 1971 assets rose from Sch. 2.7bn to Sch. 11.4bn. By 1978 BAWAG recorded a 41-fold jump in its consolidated balance sheet compared with 1971. Mr. Floetli, 55, who took over as chief executive in March, 1972, could report a 26.7 per cent growth in assets last year, a rate well above the average of Austria's credit institutions as a whole.

BAWAG's emergence as Austria's seventh largest bank (excluding specialised institutions such as the postal savings and the export credit guarantee banks) also reflects of course the profound changes in Austria society and the redistribution of wealth from the entrepreneurial sector to the salary and wage-earners. The share of wages and salaries rose from 56 per cent of the national income in 1949 to 75 per cent by 1977.

At the same time this largest non-nationalised joint-stock bank has some very special shareholders: the powerful trade union federation and the consumer co-operatives which account for two-thirds and one-third of the equity respectively.

Because Austria has one of the best strike records in the world, the strike funds held on deposit at BAWAG have grown tremendously during the past 20 years or so. Another consequence of the union link is resented by other bankers as an unfair advantage: BAWAG as house bank of the unions also relies on the network of shop stewards who have so far placed about 200,000 small personal loans to the tune of Sch. 10.5bn.

It is against this background that the BAWAG's first relatively modest Sch. 400m bond issue must be seen. The union bank could play an important role in accelerating the much-needed progress from savings deposits to bond and equity investment. As Mr. Floetli remarked, only eight in 100 salary earners and two in 100 manual workers possess bonds.

Foreign business already accounts for 20 per cent of the balance sheet. In keeping with its aggressive marketing strategy, BAWAG has carried out a tremendous expansion of its branch network, raising the number of offices from 31 to 44 last year and adding a further 14 new branches this year. A projected take-over of the so-called Konsum Bank, the banking arm of the consumer co-operatives with 730,000 mem-

bers and a balance sheet of Sch. 2.4bn would clearly strengthen BAWAG's competitive position.

Meanwhile, Austria's branch banking is dominated by the farmers' credit co-operatives, the famous Raiffeisenkassen which account for 51 per cent of the branches as against 22 per cent for the savings banks and 14 per cent for the joint-stock banks. The rapid growth of the GZB (Genossenschaftliche Zentralbank), the central institute of the credit co-operatives, is telling proof of the prosperity of the country's farmers.

While BAWAG is operating on the basis of union power and funds and GZB is the house bank of the farmers and their manifold enterprises, Mr. Simon Moskovics, 64, Hungarian-born chief executive of the Bankhaus Winter, had nothing but his brains and his flair for business to rely on when he began to build up a new career in the early 1950s. Today the Bankhaus Winter is Austria's undisputed number one private banker, with a balance-sheet of Sch. 8.57bn last year, up by almost 16 per cent on 1977.

Asked about the key to his success story as the only private banker still thriving in the highly competitive world of big nationalised banks, savings banks and various large central credit institutions, Mr. Moskovics quote a recent statement by Herr Hans Marthofer, West German Minister of Finance, who said that no state can replace the instinct of an entrepreneur.

It is this instinct, coupled with a phenomenal memory and an impeccable business record, which made Mr. Moskovics a household name in the special world of East-West trade, switch and compensation deals.

Recently, for example, his bank was involved in a deal involving complicated transactions. The Austrian subsidiary of a large German concern which secured a \$3.5m Soviet contract but the state import agency in Moscow was willing to pay only in Indian rupees, which in turn can be used only in Soviet-Indian clear-

ing for buying such commodities as sugar, coffee, tea, jute, and so on. It is the unique know-how of the banker in Vienna which then enabled such disparate partners as the German multinational, the Soviets, the Indian merchants, and a London-based trading house to find the deal profitable.

Mr. Moskovics also acts as a merchant banker within Austria and plays a role in raising advantageous loans for the republic of Austria as well as in organising short or medium-term credits for the central banks of certain Comecon countries.

His success shows that private bankers can offer specialist services and expertise in East-West trade that the major banks lack: the flexibility, experience or simply the interest. His bank also co-operates closely in joint ventures with BAWAG and GZB in Austria and with Warburg in Switzerland. Last but not least, a strong Swiss sleeping-partner rumoured to be one of the big five in Zurich, has a minority holding in Bankhaus Winter. Small banks have to be very efficient to survive.

The number one in Austrian banking, Creditanstalt, claims to have Sch. 24m of its balance sheet per employee. But in the minute Bank Winter, with its staff of only 69 in the headquarters and the two branches in Vienna, the ratio is Sch. 120m per employee. Though admittedly one should not stretch this comparison too far, it does indicate the advantages for a bank of being small and shrewd.

Umbrella

There are about 388 farmers' co-operatives with 1.6m members. About 1,300 Raiffeisenkassen (named after the German founder of the Christian-Social co-operative movement in the last century) and about 950 additional branches collect and channel primary deposits through regional federations to the GZB, the umbrella institute.

Today, with a balance sheet of Sch. 61bn, it is the fifth-largest bank. Under the leadership of its director general, Dr. Helmut Klaus, GZB achieved a much-publicised breakthrough by acquiring a substantial interest in the Schoeller family's industrial holdings as well as a foothold in the Bankhaus Schoeller after having taken over a small private merchant bank in Vienna a few years ago.

In the past, shifts within the sector and primarily the relationship between the Vienna-based savings banks and the Girozentrale used to be seen solely through the political prism. The Zentralsparkasse is after all the house bank of the socialist-dominated municipality while the Erste Oesterreichische, a mutual savings bank, ranks traditionally as the pillar of the "Black" or bourgeois domain in the capital. The political colours may still be the same, but the interest now cuts through straight party lines. Both operators joined forces to fight for access to the capital market, the right of withdrawal from the Girozentrale and also for liberalisation of the opening of branch offices.

Both acquired their own merchant bank outlets last year by taking over a small private bank and a former purchase institute. As a result Zentralsparkasse will operate 120 branches by the end of this year, but 27 of them as "Z-Bank"—the merchant bank subsidiary—all over Austria, while the Erste Oesterreichische taps the market outside Vienna through its "Roessler Bank" which by the end of 1979 will have nine branches.

However, the major provincial savings banks are not willing to remain idle in the face of the challenge from Vienna. So it is now taken for granted that four big savings banks—those of Salzburg, Innsbruck, Linz and Dornbirn—will set up a joint outlet, to be called West-bank in Vienna.

Where will all this lead to? Has the liberalisation of the

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ALLGEMEINE SPARKASSE IN LINZ

An efficient correspondent in the industrial heart of Austria.

By Dr. Kurt Bartel.

The Allgemeine Sparkasse in Linz was founded in 1849 and already the very early annual reports show that it dedicated itself to the commercial business more than was then usual for a savings bank. While only ten years ago our financing activities were about equally divided between long-term projects and the commercial business, now the financing of trade and industry more and more, outweighs the financing of house-building. In addition our ties with the private customer have become very strong. Traditionally, the security business belongs in the sphere of business of the Allgemeine Sparkasse. Our first contacts with foreign countries were made about 50 years ago. Today, we are engaged in all fields of international business. We have set up a worldwide network of international correspondent banks for the execution of foreign payments, making sure, however, that our foreign relations are not split too much. And we have organized our documentary department so as to be able to handle the business transactions from Linz to overseas countries. By participating in SWIFT we have taken care that payment transactions will be carried out even more efficiently. The Allgemeine Sparkasse's foreign exchange and foreign notes business is extensive. Our foreign exchange dealings are orientated more

towards evening up our currency positions to avoid exchange risks and less towards gaining from exchange rate differences. Our widely branched foreign bank notes business takes into account Austria's possibilities and requirements as a tourist country. Money deposit dealings are carried out not only within Austria but also in all Eurocurrencies, mainly answering customer needs. We participate in domestic and foreign issues if it is in the interest of an increased customer demand. Our House is represented at the Vienna Stock Exchange and is regarded as a strong dealer in fixed-interest bearing securities. Though Austria's main trade partners are her western neighbour states, such as the Federal Republic of Germany, Switzerland and Italy, business relations are also maintained with the rest of the European countries and overseas; more-over business relations are especially cultivated with the socialist countries of Eastern Europe because of Austria's geographical position.

Our business area

In the region of Linz Allgemeine Sparkasse in Linz offers itself as the local bank especially suited to handle financial transactions. It is represented in this area with a dense network of branches still being

expanded. Because of its business capacity and its large patronage, ranging from small manufacturing enterprises to Austria's largest industry, Allgemeine Sparkasse in Linz is the banking gateway to this important industrial area. The business connections of Allgemeine Sparkasse in Linz reach beyond the provincial capital of Linz to the entire province of Upper Austria. The Allgemeine Sparkasse in Linz counts among its commercial customers the large-scale industries located in this area as well as a multitude of smaller manufacturing and industrial enterprises. To this may be added a massive private business characterized by a large number of private checking accounts and savings deposits. The foreign bank entering into correspondent relations with Allgemeine Sparkasse in Linz may use this House not only for orders covering Linz and the Upper Austrian region, but it opens up the entire area of Austria, since the payments system among Austrian savings banks is organized so as to guarantee the immediate and quick transmission of payment orders to all important places of business in Austria.

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The savings banks

THE NEW banking legislation in Austria has completed the progress of the country's traditional savings banks, the time-honoured collectors of the small savings money for 160 years, to commercial banks and the development of the large Vienna-based savings banks into fully-fledged universal banks.

For many years the Central Institute of the increasingly powerful sector, the Girozentrale has occupied the number two place in the league of Austrian credit institutes with a consolidated balance-sheet of Sch. 12.1bn (£4.3bn) last year.

The balance-sheet of the entire sector, that is including the 164 savings banks with their 835 branches, the Steiermaerkische Bank and of course Girozentrale itself with its large building society, expanded last year by 19.1 per cent to Sch. 359.3bn. Its share of the total loans to non-banks last year reached 29.4 per cent, of the savings deposits 38.4 per cent, and of the aggregate balance-sheets 26.2 per cent.

The market share in terms of foreign assets jumped from 13.7 per cent in 1974 to 18 per cent last year. Girozentrale, founded in 1937 as a bankers' bank to the network of the Sparkassen, has become a power in its own right, extending its base far beyond the sector, although funds received from the sector last year still account for 41 per cent of its aggregate balance-sheet.

Under both the old and new legal provisions, 10 per cent of the savings deposits and 20 per cent of other deposits must be held with the Girozentrale as their central bank. However, the new legislation combined with the de facto liberalisation of the licensing of new banking branches has created a novel situation within the sector itself.

The changes affect not just the Girozentrale and the two Vienna-based largest operators—Zentralsparkasse and the Erste Oesterreichische Spar-Casse—but also the big savings banks in the provincial capitals and the small local banks. Under the new legislation, savings banks whose assets are equivalent to 40 per cent of the balance sheet total of the umbrella institute of the sector will be able in future to withdraw their liquidity reserves within three years once they give formal notice.

More important even than the right of withdrawal is for the time being at least—the end of the so-called "regional principle." For the first time since 1942, savings banks are explicitly allowed to open branches in areas which used to be the "sphere of influence" of another savings bank.

Every savings bank can acquire interest in another credit institute. The fact that all credit institutes are obliged from now on to have at least two full-time managers is also bound to give a push to the process of concentration and mergers. Another significant concession to the large Vienna-based savings banks is the direct access to the capital market.

This year the Savings Banks sector is represented by four further borrowers: Zentralsparkasse with Sch. 1.75bn and Erste Oesterreichische with Sch. 1.55bn to be followed by a syndicate of the big provincial savings banks and a so-called "Sparkassen Finanzierungs-AG" which would serve the rest of the sector. All this would be in addition to the Sch. 3.05bn to be floated by the Girozentrale itself, so in sum the savings bank sector would tap the market to the tune of Sch. 7.55bn.

These are the questions thoughtful observers, not representing vested interests or regional lobbies, are beginning to raise with increasing frequency.

Prestige-motivated costly bond issues and all-out competition—not only against the farmers' co-op banks (Raiffeisenkassen), the credit unions (Volksbanken), and the commercial banks, but also within the savings banks sector—are the short-term results of the new bank law.

In the long term, however, all this is likely to put increasing pressure on the earnings position of all operators, already adversely affected by the narrowing gap between borrowers' and creditors' interest rates. Last but not least, there is another dangerous outsider—the Post Office Savings Bank (PSK), which is no longer concerned only with the transmission of money. Operating through its 2,300 post offices and already controlling a small private bank in Vienna, it hopes to receive permission to grant personal

loans via the post offices. At any rate it has the fifth-largest balance sheet with Sch. 61.9bn last year.

POWER OF SAVINGS BANK SECTOR

	1974	1975	1976	1977	1978
Loans to non-banks	28.5	28.9	29.6	29.3	29.4
Foreign assets	13.7	14.6	12.6	17.3	18
Savings deposits	39.8	39.6	39.5	38.7	38.4
Balance sheet total	26.4	26.5	26.1	25.8	26.2

* Sector composed of 164 savings banks, Steiermaerkische Bank, Girozentrale (including building society of the savings banks). Source: Girozentrale report.

credit apparatus gone too far? These are the questions thoughtful observers, not representing vested interests or regional lobbies, are beginning to raise with increasing frequency.

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In view of the major role played by the savings banks, the shifts within the sector in one way or another. The fate of the ownership shares in the Bankhaus Schoeller clearly depend on the outcome of the trial of strength between the Girozentrale and the Vienna-based savings banks, primarily Erste Oesterreichische since Zentralsparkasse has different business priorities. Girozentrale plays a key role in providing loans to the public sector and industry but has no branches of its own and therefore has no access to primary deposits on a large scale.

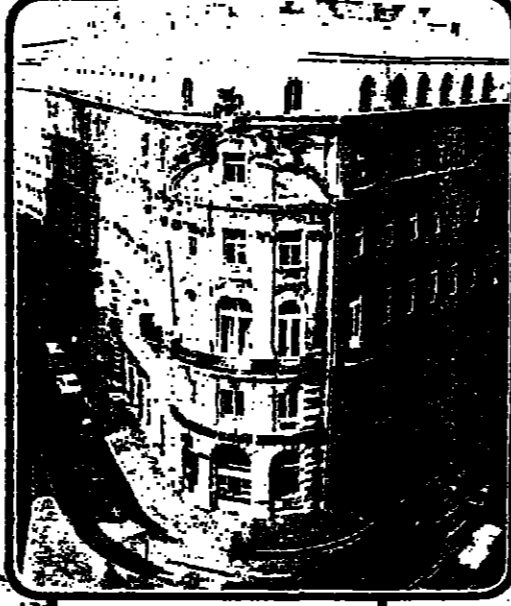
In this sense, the long-term consequences of the shifts and competition within the savings banks sector are a matter for the entire economy. How to combine free competition with the traditional system of checks and balances is the dilemma facing the Austrian banking world in the new situation.

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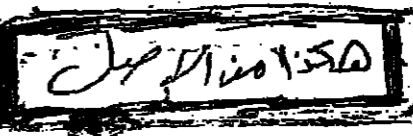
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Companies and Markets

Priority for payments to farmers

By Our Commodities Staff
BRITISH FARMERS who have been kept waiting for Ministry of Agriculture grants and subsidies because of Civil Service strike, should be getting their money within a few weeks.

India fears sharp drop in tea crop

NEW DELHI—The Indian tea industry fears a sharp drop in production in April as young shoots have withered away in large areas.

Canadian tyre workers settle

Workers at the Uniroyal plant here have ratified a new three-year contract, a union spokesman said.

Raw material price rises forecast for this year

BY OUR COMMODITIES STAFF

PRICES of almost all major industrial materials, apart from metals, are expected to be higher in the second half of this year.

Extra cash for wool growers

BY RICHARD MOONEY

BRITISH WOOL growers will receive an extra 3.5p a kilo for their produce this year thanks to "careful management" by the British Wool Marketing Board.

EEC beef stocks at five-year low

BY OUR COMMODITIES STAFF

EEC BEEF intervention stocks at the end of March were 58 per cent lower than a year and at their lowest level since 1974, according to figures published by the UK Meat and Livestock Commission yesterday.

boom. He said although firm statistics for recent months are not yet available, it is very unlikely the metal boom was due to any sudden upswing in consumption.

operations, has a reserve of about £5m compared with £1.5m in the savings element.

prices published yesterday show that retail beef prices in March were between 10.8 per cent (best mince) and 18.8 per cent (striploin steak) higher than a year earlier.

Surge in silver market

By Our Commodities Editor

SILVER SURGED upwards yesterday breaking through the \$8 an ounce barrier in London for the first time.

Sharp rise in bismuth

LONDON—Free-market bismuth prices rose sharply yesterday, rising about \$3.85 to \$4.10 a pound.

Cold wave hits Chinese crops

HONG KONG—The worst cold wave in the past 30 years has hit northern China, badly affecting agricultural production, the New China News Agency reported yesterday.

COMMODITY AGREEMENTS

Differing views on proposed jute pact

BY BRIJ KHINDARIA IN GENEVA

THE DECISION to set up an international jute organisation, taken by representatives and consumers in negotiations here, has already become the subject of considerable controversy.

designed to help jute producers to increase productivity and earn higher incomes.

being asked to draw up draft agreement on jute and jute products. The main decision states that the agreement "should provide for the creation of an international jute organisation whose main functions would be to encourage research and development concerning the jute industry, undertake market promotion, and carry out studies on ways in which producers might reduce costs."

New source of Philippines timber

BY OUR MANILA CORRESPONDENT

A MAJOR new timber industry will be created as a by-product of a programme which is due to start in the Philippines next year.

the Philippines. The programme is a timber resource of this magnitude is particularly important as there is evidence that the Philippines is over-cutting its annual increment of new trees.

Research is being carried out into the use of band saws, for which there is a pool of experienced manpower, and also into the creation of mobile mills in remote areas using inset teeth with a hardened surface, like stellite.

BRITISH COMMODITY MARKETS

Table with columns for Base Metals (Copper, Zinc, Lead, Tin), Rubber, Soyabean Meal, and other commodities. Includes prices and changes.

Table with columns for Grain (Wheat, Barley, Oats), Wool Futures, and other commodities. Includes prices and changes.

NEW ZEALAND CROSSLINERS

Table with columns for Rubber, Soyabean Meal, and other commodities. Includes prices and changes.

AMERICAN MARKETS

Table with columns for Price Changes, Soyabean Meal, and other commodities. Includes prices and changes.

INSURANCE BASE RATES

Table with columns for Property Growth, Vambrugh Guaranteed, and other insurance rates.

CORAL INDEX: Close 642.547

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GOLD

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NICKEL

The next edition of the fortnightly "Prescot Commodity Review" will include a brief introduction to nickel.

Advertisement for Prescot Commodities Ltd, 6 Bloomsbury Square, London WC1A 2LP. Includes contact information and details about the commodity review.

SILVER

Silver was fixed 16.65p an ounce higher for spot delivery in the London auction market yesterday.

WHEAT

Wheat futures were mixed in London yesterday, with the main contracts ending lower.

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MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Best: Scottish killed sides 58.0 to 62.0.

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EUROPEAN MARKETS

ROTTERDAM, May 1. U.S. No. 2 Hard Winter wheat 12.5 per cent.

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INDICES

Table with columns for Financial Times, Dow Jones, and other indices.

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LONDON STOCK EXCHANGE

Opinion poll showing small Labour lead rattles equity market and 30-share index falls 14.3 to 537.0

Account Dealing Dates
Option
First Declared Last Account
Dealings Dates Dealings Day
Apr. 23 May 3 May 4 May 15
May 8 May 17 May 18 May 30
May 21 May 31 June 1 June 12

although a recovery was initiated shortly after ten a.m., it faded away in the early afternoon. Market dealers were then suggesting that any sizeable rise of stock were easy to place with institutional operators at small discounts on ruling levels. But the weakness became more pronounced just before the official close and continued after another imminent poll finding even more favourable to Labour's election chances.

fresh foreign interest. After an initial mark-down, business was generally light and evenly balanced. The shorts, which had led Monday's uptick with gains to 1/2 fell back 1/4 at most, while mediums and longs were seldom more than 1 lower. Exceptionally, Exchequer 11 per cent 1991 (15-pd) reacted 1/4. Political considerations also played a dominant part in the investment currency market yesterday. Short-covering was induced and, with rates adjusting to the lower sterling level, it produced a recovery of four points in the premium to 59 1/2 per cent. Yesterday's SE conversion factor was 0.7988 (0.8060). Business in Traded Options fell slightly below the previous day's level with a total of 1,221 contracts compared with 1,386. BOC were in demand, attracting 197 trades, while Marks and Spencer and EMI were also lively with 184 and 145 deals respectively.

Timbers, International eased 6 to 138p and Phoenix shed 12 to 148p. Barratt Developments, 148p, and Gough Cooper, 88p, ended with respective falls of 1/2 and 7. Recent favourite SGP, cheapened 7 to 270p and, awaiting tomorrow's annual results, Robert Adams in British Home only firm spot of note, adding 2 to 128p, after 128p, in response to the satisfactory annual results. Nervous selling left ICI 8 down at 508p and Fluka 2 down at 285p. Among other chemicals, the lower annual profits left Algate 8 cheaper at 320p.

Marks & Spencer down
Leading Stores took a distinct turn for the worse with the bulk of the falls sustained in the first half hour or so of business. Marks and Spencer led the retreat, closing 7 down at 115p, after 118p, ahead of next day's preliminary results. Gussies A fell 14 to 41sp, while Burton A, 300p, and UDS, 117p, lost 4 and 1/2 pieces. A more detailed assessment of the results caused 155p before settling at 150p compared with the placing price of 115p; the shares are dealt in under special rule.

and Fodens, 57p, both fell around 5. Leading Newspapers ended the session displaying falls to 7. Elsewhere, Dickinson Robinson firm 2 at 135p on the chairman's encouraging annual statement. Anglo Properties, Land Securities shed 12 to 280p and BEPC 7 to 190p, while British Land relinquished 4 to 76p. Late selling left Great Portland Estates 12 down at 320p and Haslemere 10 at 306p. Following the acquisition of a private company, dealings resumed in Westminster Property at 48p and the price touched 49p before the close of 47p which compares with the suspension price of 36p.

LONDON TRADED OPTIONS
Table with columns: Option, Ex. r/s, Closing price, Vol., Closing offer, Vol., O. closing offer, Vol., Equity close

Banks retreat
The banking sector made a complete reversal of Monday's firm trend as an early mark-down followed by fairly persistent offerings which prompted widespread dullness. Lloyds, 332p, Midland, 432p, and NatWest, 372p, all closed 20 lower, while Barclays finished 17 down at 488p. Profit-taking after the recent surge prompted a reaction of 65 to 325p in Hill Samuel Warrants.

Insurance contributed to the dull trend, with C. E. Heath 11 lower at 245p and Royals, 425p, and Sun Alliance, 650p, down 10 apiece. Up 45 the previous day on buying ahead of the forthcoming 5-for-1 share-split, Hambro Life reacted 15 to 685p. Sharp falls in Breweries were prompted by afternoon institutional selling. Allied gave up 4 to 85p, while Whitbread, 132p, and Bass, 222p, eased 9 apiece. Securities closed 5 lower at 85p. Against the trend, George Gale, dealt under special rules, met demand and, in a narrow market, improved 15 at 485p. Distilleries also tended downwards, Highland slipping 9 to 93p.

Widespread falls were commonplace among Motor sectors although selling pressure was light. Recently firm Lex Service relinquished 7 to 108p, while Rover eased 5 for a holiday fall of 10 to 168p. Appliway, however, responded to favourable Press comment, reaching 106p before settling for a net rise of 2 at 102p. Annual results from The Gold Mines Index added 2.5 at 152.5 while the expansion index put on 0.9 at 122.1.

Oil prices
A rally in the Oil leaders soon petered out and, with sellers continuing to make their presence felt in the late dealings, final quotations were the lowest of the day. British Petroleum fell 26 to 1212p and Shell 24 to 774p. Secondary issues followed a similar pattern, Tricentrol reacting 5 to 230p and Ultracore a similar amount to 304p, while Siebens (UK), 234p, and Oil Exploration, 254p, reacted 6 apiece. Boustead formed 2 at 90p following the 23 per cent profit increase improved dividend and proposed 100 per cent scrip issue. Losses of a few pence were fairly widespread throughout. Anglo Properties, Robert Kitchen Taylor ran back 7 to 206p.

FINANCIAL TIMES ST
Table with columns: Govt. Secs., Fixed Interest, Industrial, Gold Mines, etc.

HIGHS AND LOWS
Table with columns: Govt. Secs., Fixed Int., Ind. Ord., Gold Mines, etc.

Drifontein, a half-point firmer at £201, and Vaal Reefs, 1 to the good at £145, were prominent, while medium-priced issues showed St. Helena 23 up at 785p and Winkelbank 20 better at 579p.

NEW HIGHS AND LOW
Table with columns: Share, Share, Share, Share, etc.

ANCHOR CHEMICAL
Lord Hewlett, Chairman, reports a strong recovery in the second half. That trend, although offset by the serious industrial disputes which occurred outside the Company in the first two months of 1979 had been regained in March and was expected to be maintained for the foreseeable future.

EUROBONDS
The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979:

ACTIVE STOCKS
Table with columns: Stock, Denomina-tion, Closing price (p), Change, 1979 high, 1979 low

OPTIONS
Table with columns: DEALING DATES, Last Declared, Last Account, etc.

RECENT ISSUES
Table with columns: Issue, Price, etc.

FIXED INTEREST STOCKS
Table with columns: Issue, Price, etc.

"RIGHTS" OFFERS
Table with columns: Issue, Price, etc.

FT-ACTUARIES SHARE INDEX

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Index No., Day's Change, etc.

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AUTHORISED UNIT TRUSTS

Table of authorized unit trusts, including columns for fund names, managers, and performance metrics.

Table of insurance and property bonds, listing various insurance companies and their associated bond products.

Table of offshore and overseas funds, detailing international investment funds and their managers.

OFFSHORE AND OVERSEAS FUNDS

Table of offshore and overseas funds, including columns for fund names, managers, and performance data.

NOTES section at the bottom right of the page, providing additional information and disclaimers.

FOOD, GROCERIES—Cont.

Table listing various food and grocery items with columns for stock, price, and change.

HOTELS AND CATERERS

Table listing hotels and caterers with columns for stock, price, and change.

INDUSTRIALS (Miscel.)

Table listing various industrial companies with columns for stock, price, and change.

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Table listing bond and rail securities with columns for stock, price, and change.

BANKS & HP—Continued

Table listing bank and hire purchase companies with columns for stock, price, and change.

CHEMICALS, PLASTICS—Cont.

Table listing chemical and plastic companies with columns for stock, price, and change.

ENGINEERING—Continued

Table listing engineering companies with columns for stock, price, and change.

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BRITISH FUNDS

Table listing various British funds with columns for stock, price, and change.

AMERICANS

Table listing American companies with columns for stock, price, and change.

BEERS, WINES AND SPIRITS

Table listing beer, wine, and spirit companies with columns for stock, price, and change.

DRAPERY AND STORES

Table listing drapery and store companies with columns for stock, price, and change.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building, timber, and road companies with columns for stock, price, and change.

RETAILERS

Table listing various retail companies with columns for stock, price, and change.

CANADIANS

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BANKS AND HIRE PURCHASE

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ELECTRICAL AND RADIO

Table listing electrical and radio companies with columns for stock, price, and change.

INTERNATIONAL BANK

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CORPORATION LOANS

Table listing corporation loans with columns for stock, price, and change.

COMMONWEALTH & AFRICAN LOANS

Table listing commonwealth and African loans with columns for stock, price, and change.

LOANS

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FOREIGN BONDS & RAILS

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